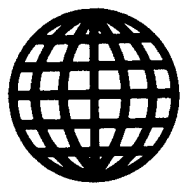


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# ***JPRS Report***

## **Soviet Union**

### ***PROBLEMS OF THE FAR EAST***

No 2, MARCH-APRIL 1987

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## SOVIET UNION PROBLEMS OF THE FAR EAST

No 2, March-April 1987

[Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language bimonthly journal PROBLEMY DALNEGO VOSTOKA published in Moscow by the Far East Institute of the USSR Academy of Sciences.]

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## 6TH CPV CONGRESS VIEWS VIETNAM'S SOCIOECONOMIC DEVELOPMENT

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 3-13

[Article by Ye.R. Bogatova, candidate of economic sciences, and M.Ye. Trigubenko, candidate of economic sciences]

The 6th Congress of the Communist Party of Vietnam was an important and remarkable event in the life of Vietnamese Communists, the entire Vietnamese people. As noted on the eve of the Congress, "the importance of a Party Congress and the seriousness and urgency of the tasks confronting the Party and the people have never been understood as lucidly as now. And never before have such exacting demands been made of a forthcoming Congress by Party members, workers, peasants and intellectuals—by all sections of the population".<sup>1</sup> Crucial problems of the transitional period that are difficult to solve in practice have clearly manifested themselves in the ten years after the 4th CPV Congress (December 1976): formation of the national economy's structure, socialist transformations and the creation of an efficient management mechanism. During this period many innovative forms of developing the transitional society were found but, at the same time, there were mistakes in the socio-economic policy.

The atmosphere of preparations for the Congress, the work of the Congress and the spirit of its decisions were determined by the principled approach formulated as follows in the Political Report of the CPV Central Committee: "Face the truth, make truthful assessments and speak only the truth". The convocation of the Congress was preceded by a sweeping campaign of criticism and self-criticism in the course of which key questions of economic development and also of organisational, ideological and cadre work were extensively discussed.<sup>2</sup> Numerous concrete proposals were made during the discussion of the CPV Central Committee Political Report at all levels, from bottom to top. The decisions of the Congress were worked out on the basis of an analysis and with due account to the various viewpoints on the most important questions of society's development.

The 6th CPV Congress pointed out the need for a profound, revolutionary reorganisation of the entire system of social relations, updating thinking and style of work. "This is the only way out of the present difficult and dangerous situation", stressed Comrade Truong Tinh.<sup>3</sup> The need for renewal and change sounded for the first time at the 6th Plenum of the CPV Central Committee (4th convocation) in September 1979, but it took 6-7 years for it to prove its correctness and overcome the existing mental attitudes. A new impetus to profound restructuring in the field of economic management was given by the decisions of the 8th Plenum of the CPV Central Committee (5th convocation) in July 1985. A concept of the SRV social and economic development in conditions of a gradual overcoming of the above-mentioned difficulties and miscalculations was submitted to the 6th Congress, which offered a new interpretation of some

conceptual ideas of the country's transition to socialism bypassing the capitalist stage of development on the basis of a generalisation, from a Marxist-Leninist approach, of the rich experience and lessons of Vietnam's development. Let us dwell on the main ones which can broaden our knowledge of theoretical problems of the transitional period.

*The historical framework and stages of the transitional period.* Emphasising the lengthy nature of this period in countries with predominantly small-scale production and its profound revolutionary content as regards productive forces, production relations and superstructure, the 6th Congress once again noted the stage-by-stage solution of problems and the need to take into account the distinguishing factors and complexity of every stage. It was stressed that inadequate understanding of this and the desire to leapfrog a number of necessary stages had created serious obstacles for the country's development in the first years after reunification.

The initial stage of the transitional period was not singled out at the 4th CPV Congress, nor were its concrete socio-economic aims and tasks defined. This was done only at the 5th CPV Congress in March 1982. The main content of the initial stage was defined as the creation of the necessary social, economic and political preconditions for launching a large-scale socialist industrialisation at the next stage.<sup>4</sup> The main tasks of the transitional period as a whole were concretised in relation to this stage and the hierarchy of objectives and priorities of development were defined in general outline.

Having analysed the development of the economy and society in the 1980s, the 6th CPV Congress noted that the main targets set by the 5th Congress—stabilisation of the socio-economic situation and the people's life—had not been attained.<sup>5</sup> It was underlined in this connection that the all-embracing task, the general objective of the remaining years of the initial period was stabilisation in all spheres of social and economic life: those of production, distribution and circulation; stabilisation of the material and cultural standards of populations' life, and improvement in the efficiency of management.

The conclusion of the initial stage is associated with the attainment of five main objectives:

1. Satisfaction of the population's basic necessities (provision of sufficient food, necessary clothing and other prime necessities, improvement in medical services, housing construction, education, etc.) and the creation of internal accumulations. On the whole the task is to increase the accumulation fund in the usable national income to 20 per cent.

2. Formation of a structure of the national economy that would ensure its stable and balanced development. Accelerated production of foodstuffs, consumer goods and export commodities should be the key link in this structure.

3. Further steps in the formation and advancement of new production relations and a more comprehensive system of economic management: strengthening of the socialist sector and the establishment of close ties with other sectors of the economy, development of cost accounting and socialist enterprise.

4. Progress in the social sphere—increasing employment, ensuring distribution according to work, implementing the principle of social justice in accordance with the concrete conditions in the country, providing for a better way of life, strengthening public order and security, preserving and developing revolutionary traditions.

5. Strengthening the country's defences and security.

Thus these tasks express the basic idea of the initial stage of the transitional period in a country with an underdeveloped economy—that

of moving the development of the productive forces from the dead end and utilising all possible growth factors.

Outlining the concrete ways and means of attaining the main objectives of the initial stage in the coming period the CPV relies on the lessons and experience of the previous one. First and foremost, as was noted at the Congress, there is the need to take into account objective laws and regularities and act in line with them. The development of production, improvement in the people's material well-being and cultural standards, the consolidation of the socialist system—all these are taken as criteria for evaluating the correspondence of the Party's policy to objective laws.

*Specific economic factors of the transitional period and the use of economic laws.* The most important factor in the development of a backward economy during the transitional period is its multi-sectoral nature, the simultaneous existence and development of different socio-economic types of economy. The 6th CPV Congress appropriately analysed this factor of the transitional period because, as it was summed up by the Congress, in our minds and in our practical activity "we have not yet recognised the fact that the multi-sectoral economic structure in our country will exist for a relatively long period of time".

It was noted at the Congress that five sectors exist in the SRV—socialist, state-capitalist, private capitalist, small-scale commodity and natural-patriarchal.<sup>6</sup> In 1985 the state and cooperative sectors, that is the socialist ones, accounted for 70.7 per cent of the gross social product and about 67 per cent of the national income. In agriculture virtually all peasant households in the North are members of cooperatives while the figure for the South is 87.2 per cent. The state sector accounts for 57 per cent of the gross industrial output and the cooperative—24 per cent. The share of the socialist sector in retail trade turnover is 57 per cent. Since the state-capitalist sector is considered in Vietnam's statistics together with the state sector, it is difficult to define its scale precisely. The private sector (small-scale commodity and private capitalist) accounts for 29.3 per cent of the gross social product, 33 per cent of national income, 19 per cent of industrial production and for about 40 per cent of retail trade turnover. Primitive agriculture involving the clearing of forest land by fire remains in the mountainous areas of the North and on the Teinguen plateau (areas populated by national minorities).<sup>7</sup>

At the 6th Congress criticism was directed at the haste in carrying out socialist transformations that manifested itself in the striving to liquidate immediately all non-socialist sectors, concentrate attention only on changing the forms of ownership of the means of production and ignore the solution of problems relating to organisation of management and the system of distribution.

At the 6th Congress the following aspects of the problem of transformations were singled out more clearly than in the past:

1. In the main the aim of the transformations is the acceleration of the development of productive forces and not just the establishment of social ownership of the means of production. Accordingly, the criteria of the effectiveness of transformations are the further increase in production, expansion of trade turnover, growth of labour productivity and improvement of the people's well-being. The transformations are not an end in themselves but an incentive for the development of productive forces.

2. It is necessary to constantly sustain the balance between production relations and the nature and level of development of productive forces, to implement stage-by-stage transformation and use transitional forms.

3. In the formation of new production relations it is imperative to take into account three main moments: the creation of social ownership of

the means of production, socialist management and a socialist system of distribution. Without this even the better equipped enterprises of the socialist sector function less effectively than enterprises belonging to the other sectors.

4. The strengthening of the socialist sector, the development of its leading and regulating role in respect of the non-socialist sectors, is a key condition of the success of socialist transformations.

The solution of all these problems objectively requires a lengthy period of time. Insufficient understanding of this, as it was recognised at the Congress, was the main reason why it proved impossible to implement the decisions of the 4th and 5th CPV Congresses urging that in the main the socialist transformations should be completed during the second and third five-year development periods. "Life taught us a patent lesson that we should not act with haste and contrary to laws", it was stressed in the Political Report of the CPV Central Committee to the 6th Congress. The report formulated in a new way the task in the sphere of transformations: "The implementation of socialist transformations is a permanent task of the entire period of transition to socialism, in appropriate forms and at the corresponding stages, and this should lead to a correspondence of production relations to the level and nature of productive forces and constantly influence their development." Proceeding from this approach to the problems of transformations, and from the recognition of the objective nature of the existence of multi-sectoral economy in the transitional period, the decisions of the 6th CPV Congress set the principled task of working out a policy of the correct use of all the economic sectors. Another distinction of the 6th Congress in its approach to the problem of the existence of several sectors is analysis of their development made not in isolation but as components of a single whole—a multi-sectoral economy of the transitional period. In this connection, the need is constantly stressed of developing ties of integration between the various sectors in conditions of increasing the leading role of the socialist sector, first of all the state sector, of increasing its economic impact on the development of the non-socialist sectors.

In its approach to the application of the main economic law of socialism at the stage of transition to socialism the CPV proceeds from the premise that this law begins to function from the very first stages of the transitional period. Any attempt to belittle its importance at the first stages of socialist construction, to sacrifice the social factor for the sake of a rapid growth of production, inevitably results in acute contradictions, turns social development into a brake on economic development and retards the effective functioning of the socialist mode of production. Concretising the aim of socialist construction in accordance with the economy's actual possibilities at each stage acquires principled importance. The scale and rates of development of production at the initial stage of transition to socialism, the essence of this stage as a preparatory one for further growth, objectively determine the possibility of only meeting to a minimum the necessary requirements of the people. The "eating up" of national income, that is, spending on consumption in excess of the real possibilities of domestic production, inevitably causes tension in the economy and generates parasitical attitudes. At the same time, an obsession with accumulation to the detriment of consumption reduces the possibilities of invigorating the human factor. The CPV acknowledges this dialectical interaction of social and economic factors, aims and means and incorporates in its economic development plans the tasks aimed at increasing the output of food and consumer goods, expanding housing and cultural construction, etc. At the same time, it constantly draws attention to the need to observe the principles of social justice in the distribution and consumption of these boons which, at the initial stage of tran-

sition to socialism, can be ensured mostly by skilfully applying the law of distribution according to labour. In previous years the CPV did not succeed in achieving a growth in the real earnings of industrial and office workers in the state sector, narrowing the "scissors" of incomes in the production sphere and trade in the socialist and non-socialist sectors, and in blocking the channels of unearned incomes. These problems were raised at the 6th CPV Congress and their solution has been singled out as the main element in further intensification of the masses' labour activity.

The treatment of the development of a multi-sectoral economy as an organic whole and not as a mechanical sum total of separate autonomously functioning sectors, the identification of the main levers of the socialist sector's development by making predominant use of cost-benefit methods create a basis for a more profound understanding in the SRV of how the law of planned and proportional development, its ties with the law of value and other laws of commodity-money relations, function at the initial stage of the transitional period.

In terms of theory the CPV proceeds from the premise that the main content of the process of transition from small-scale production to large-scale socialist production is the transition to a socialist commodity economy. In this connection, the planned economic management of the transitional period means management of a developing commodity and not natural production. For this reason correct use of commodity-money relations is being advocated as a strategic direction in the creation of the mechanism of management. Here special attention is being given not to a simple combination of planning with the development of commodity-money relations but to a purposeful and constantly increasing impact of planned relations on the content and forms of commodity production and circulation. In their sum total all these factors should create internal motivating forces of the economy's development based on a deeper linkage of public, collective and individual interests. A close combination of independence and responsibility at all levels, a profit-and-loss approach in any type of economic activity are being considered as the key demands made of the new system of management now in the making.

The old mechanism of management, known as a bureaucratic-centralised and multi-tiered one, was subjected to serious criticisms at the 6th CPV Congress. It slowed down the economy's development because it was based mostly on administrative management "from top to bottom", neither did it touch on the interests of producers. That mechanism failed to create conditions for their responsibility and interest in efficient and productive labour. As assessed at the Congress, simplified views on socialism and overestimation of the possibilities of fulfilling any subjective wishes were the basic reasons of this mechanism's existence.

The management mechanism has been under criticism in the SRV since the late 1970s, but concrete steps taken to dismantle it in the 1980s clearly demonstrated the difficulties and contradictions of searching for new approaches and methods of management. A whole range of measures to activate personal and collective interests, strengthen the stimulating function of prices, profits and wages, and also to improve the system of planning yielded positive results and served as an important source of economic changes during the previous five-year development period. But superimposed on the virtually unchanged structure—the old methods and forms of management that continued to exist—the new methods of management brought about serious disruptions in the socio-economic situation, a deepening of contradictions and disproportions. This manifested itself most clearly in the sphere of commodity-money circulation where the lack of effective methods of state price and other value forms regulation led

to a spontaneous functioning of the law of value to the detriment of socialism.

In its analysis of the causes of this grave situation the 6th Congress pointed to the need for overhauling the activities of central and local state organs, for ensuring that their work would make it possible to purposefully combine the cost-accounting interests of the lower-echelon production units and the interests of the state and society and not to loosen control of the emerging economic ties and at the same time not to interfere in the day-to-day economic and financial activities of the producers. The Political Report of the CPV Central Committee stressed that the crucial and urgent task is to implement these principles in the main spheres—planning, material and technical supply, export-import operations, pricing, determination of wages, etc. A whole range of measures have already been outlined but the directions, forms and content of further readjustment of the management mechanism still require theoretical substantiation and trial. The Congress decisions orient the Party at an attentive and serious approach to the search for answers to these questions—by intensifying research, conducting experiments and summing up their results, and also studying the experience of the fraternal countries. Caution against haste and one-sidedness in the process of updating the management mechanism is likewise essential.

*Development contradictions and quality of growth rates.* A profound analysis of the dialectics of the development of productive forces and production relations during the past decade enabled the CPV to take a new look at the solution of the problem of growth rates, single out the main contradictions characteristic of a given stage of development and ways of overcoming them.

Lenin noted: "Facts, if we take them in their *entirety*, in their *inter-connection*, are not only stubborn things, but undoubtedly proof-bearing things... And if it is to be a real foundation, we must take not individual facts, but the *sum total* of facts, without a *single* exception, relating to the question under discussion."<sup>8</sup>

It is impossible to find one's way in a kaleidoscope of contradictory facts if we do not single out the main determining tendency, regularity in this phenomenon.

In this case it is also relevant to identify the main tendencies and regularities determining SRV's advance. What is the main trend of development and how does its contradictory nature manifest itself now? In our view this is the need to accelerate socio-economic development on the basis of deep-going qualitative changes in the economy and society. The manifestation of this trend encounters the immaturity of organisational, material, social and other preconditions. There is the objective need for a rapid upsurge of productive forces, for a *revolutionary* breakthrough, but in present-day conditions the country can develop only by way of *evolution*, utilising the advantages offered by the traditional sectors and without dismantling of the existing structure. The attempts to speed up this process, to run ahead of things, the so-called frontal cavalry charge attempted in the 1970s ended in failure and caused decline in production and the labour activity of the popular masses.

Not so much contradictions of growth as trends of decline objectively manifested themselves during this period. Elements slowing down development had accumulated.<sup>9</sup> There appeared the need to work out such a concept of growth that would accord with the law of the correspondence of production relations to productive forces as applied to the initial phase of socialism. The solution of this problem is seen in the linkage of the problem of economic growth rates and its structure with that of improving production and social relations, overcoming contradictions of economic growth.

At the current stage of SRV's development the main thing is to determine the advantages and possibilities offered by the various sectors. As a result, it may be possible to make production relations exert a strong impact on the dynamics of productive forces. This has already been proved, in part, by the economic reform in the first half of the 1980s.

In the state sector economic growth became possible by combining economic independence and self-financing with an intensification of centralised guidance although, as it was noted at the Congress, the optimal model of centralism and independence as applied to Vietnamese conditions is yet to be found. In the cooperative sector progress was ensured by a well-considered and balanced combination of the peasantry's economic interests on the basis of the introduction of individual and group contracts on end output. The most complex question is how to draw the pre-capitalist patriarchal sectors and the private capitalist sector into the integrated system of social relations.<sup>10</sup> At the present stage the CPV sets the task of ensuring a limited development of the capitalist sector by attracting Western capital as well as capital of overseas Vietnamese and promoting the development of state-private capital in some branches of production and the services.

As for the productive forces themselves, their influence on growth dynamics can be ensured by optimally combining the development of small-scale, medium and large-scale production, by providing operating enterprises with the needed equipment and developing traditional branches. All the above-mentioned measures to invigorate growth, characteristic of the pre-industrial period of development, point out the need for such a country as Vietnam to embrace the theory and practice of an economic policy like the New Economic Policy in the USSR in the 1920s-1930s.

The present system of reproduction in the SRV is predominantly the extensive phase of development quite natural for a country with an under-developed economy. At the same time the extensive type of reproduction in conditions of deficit economy generates formidable problems and contradictions, some of which owe their origination to subjective errors in structural policy and management.

The following imbalances are most typical of the SRV after ten years of peaceful developments:

- vigorous offers of productive capital from outside and the inability to absorb it because of the small scope of production in the country. Most of the credits received by the SRV were spent on the construction of new projects, mostly in industry, while only 7 per cent of the foreign aid were invested in the development of the agro-industrial sector, as, for instance, was before the 1980s;

- great demand in investments under conditions of insufficient utilisation of existing capacities. More than 100 industrial enterprises have been built in the SRV with Soviet assistance alone. According to Member of the Political Bureau of the CPSU Central Committee, Secretary of the CPSU Central Committee Yegor Ligachev, who headed the CPSU delegation at the 6th CPV Congress, the efficiency with which the new capacities are used in a number of instances remains low.<sup>11</sup> The reasons of this are rooted in acute disproportions: shortage of energy carriers, spares and skilled labour. The difficulties are exacerbated by the irrational and wasteful use of aid; ineffective, high-cost mechanism of internal management; frequent disregard for the economic interests of collectives, and backward social infrastructure;

- the inability of the SRV, because of the small scope of production, to make effective use of the broad assistance provided by various countries and aimed at giving technical assistance in the construction of major projects.<sup>12</sup>

In the current five-year development period Soviet economic assistance



will be twice as much as that provided from 1981 to 1985.<sup>13</sup> It is meant, primarily, for the establishment and development of basic industries—energy, coal mining, oil production, machine building and chemical industries and also the production of building materials.<sup>14</sup> Yet, during the past five years, SRV's economic growth was due mainly to traditional branches that have little to do with foreign assistance. For example, cottage industries and the food sector in agriculture developed dynamically;

—contradictions between the low norm of accumulation (8 per cent) and the limited scale of consumption, this preventing attempts to raise the level and norm of accumulation at the expense of the population's incomes. Foreign aid did little to resolve this contradiction. Let us take again an example from the experience of Soviet-Vietnamese relations. Between 1981 and 1985 the share of consumer goods in Soviet exports to the SRV amounted to 1.6 per cent while that of food (counting deliveries of grain and flour) amounted to 8 per cent.<sup>15</sup> For comparison it should be said that the share of manufactured consumer goods and foodstuffs in Soviet exports to Cuba and Mongolia in the same period amounted to 17 per cent and 30 per cent respectively, even though the living standards of the population in these countries are higher than in the SRV.<sup>16</sup>

Also to be listed among the pains of growth during the transitional period are the high rates of population growth and the limited number of new jobs; surplus of manpower and shortage of middle-level and highly qualified personnel; untapped material resources, especially in agriculture, and low standard of production and personal consumption.

The drafting of a progressive concept of economic growth includes the definition of optimum growth rates. The latter must be determined by the extent to which social requirements are satisfied. It appears that optimum possible rates of acceleration after the period of stagnation were attained in the period from 1981 to 1985. The average annual rate of increment of the national income was 6.3 per cent in 1981-1985 (as against 0.6 per cent in 1976-1980); gross agricultural product—4.9 per cent (1.9 per cent in 1976-1980), and industrial output—9.5 per cent (0.6 per cent in 1976-1980). It is intended to retain this trend between 1986 and 1990 and to consolidate on the whole the growth rates of the previous five-year development period. For example, the average annual growth of national income is to amount to 6-7 per cent.<sup>17</sup>

A preliminary forecast of Vietnam's development by the year 2000 provides for optimum growth rates (average for the entire period) and a relatively rapid growth of these rates after 1995 in branches linked with industrialisation as well as scientific and technological progress. By the year 2000 the volume of produced national income is to grow 240-250 per cent as compared with 1985. For comparison the European CMEA countries intend to double produced national income by the year 2000. Their optimum growth rates are to amount to 4-5 per cent while the minimum permissible ones are set at 2-3 per cent.<sup>18</sup>

*Concept of structural policy.* At the 6th Congress this concept was outlined and the policy of industrialisation at various stages of development concretised. The essence of the new approach to the analysis of problems of industrialisation and structural policy is as follows:

1. The aim of the present development is interpreted in a different way. The 6th CPV Congress underlined the following ultimate aim of the country's development till the end of the initial stage: comprehensive stabilisation of the socio-economic situation, further creation of the necessary preconditions for accelerating socialist industrialisation at the subsequent stage.

2. The importance of adhering to the general laws of industrialisation (predominant growth in the output of the means of production, enlarge-

ment of the economy's scope, creation of a developed national economic complex, utmost raising of scientific and technological standards, etc.) with the possibility of implementing them in each specific case is acknowledged. It is said, for instance, in the report that it is more expedient now to establish medium and small enterprises, to slow down the pace of building major projects in heavy industry and develop scientific and technological progress with due account to the economy's current requirements. The report also pays attention to acceleration of scientific and technological revolution in the sphere of agricultural production.

3. The development of productive forces even at the lowest phase of socialist development includes elements of both extensive and intensive growth. For this reason the process of industrialisation is of a contradictory nature. In order to achieve efficiency—and this task has been set in Vietnam—it is necessary, just as in other countries of the socialist community, to increase spending on science, on branches determining the development of scientific and technological revolution (biotechnology, development of new construction materials, some branches of machine-building, like electronics). In general it is necessary to develop science in order to raise the efficiency of production.

4. The formulation of the structural policy of industrialisation includes the selection of the *main* link in development by using a programme and target-oriented approach.

It was noted at the 6th Congress that after the deliberations the Party should speed up the drafting of the appropriate programme of socialist revolution in the transitional period. Proceeding from this programme, it was stressed in the report, the CPV would determine the strategy of social, economic, scientific and technological development which would constitute the political and ideological basis of the Party's activity and that of the state as well.

The drawing up of three long-term target-oriented programmes—on food and foodstuffs, consumer goods and export goods—will be the main link determining the structural anatomy of growth rates in the current five-year development period and a longer time span. In the first programme the main emphasis is on the solution of the problem of providing the population with foodstuffs and on the institution of measures to control birth rates. The following task has been set: in conditions of a population increment of about six million over the next five years not to reduce the per capita food consumption as compared with 1981-1985. By 1990 it is intended to increase the harvest of food crops in terms of rice to 22-23 million tons. On the average between 1986 and 1990 the country is to annually produce 20-20.5 million tons, or 3-3.5 million tons more than the average annual figure for 1981-1985. For comparison, the average annual growth rate of food crops from 1976 to 1980 was 0.2 million tons and from 1981 to 1985—one million tons.

The ways to achieve this include development of intensive agriculture, substantial increase of allocations for irrigation and greater use of chemicals. Along with further improvement of agrarian relations this should yield a tangible increase in harvests, especially of rice.

An appreciable increase in the output of consumer goods is to be effected through maximum use of capacities at state enterprises; improvement of production efficiency, encouragement of small-scale and cottage industries (the sale by state of technical means, provision of credits, etc.), of traditional handicrafts, subsidiary farms of cooperatives and individual work of all sections of the population. There are plans not only to boost the production of goods but also to ensure their rational consumption. Between 1986 and 1990 it is planned to raise the average annual rates of the output of consumer goods to 13-15 per cent.

The SRV is working out a vigorous export strategy to draw more pro-

vinces, districts and individual enterprises and organisations into export activities and to ensure the conditions that would encourage the production of export goods. During the five years export is to increase by 70 per cent mostly through deliveries to other countries of traditional items like raw and processed agricultural produce, light and cottage industry products and sea products.

It was noted at the Congress that the development of SRV's economy on the basis of these programmes will require a structural reorganisation of production and radical review of the structure of capital investments. This direction of structural changes will make it possible to solve more successfully both social problems and the task of creating initial accumulations.

The CPV structural policy is directed at identifying not only the main but also the *weakest* link which may retard growth. For Vietnam at the present stage this weak link is composed of the power, transport and the coal industries, which should be intensified, modernised and boosted. It was noted at the 6th CPV Congress that the heavy industry branches should effectively interact with agriculture and the light industry. Comprehensive and effective development of the existing enterprises is the main direction in the use of capital investments. It is intended to raise questions of new construction projects only when this is urgently and really needed.

5. New approach to the strategy of economic cooperation with foreign countries. It was stressed at the 6th Congress that Vietnam intends to develop relations of allround cooperation with the USSR and other socialist countries in various forms: direct production and scientific-technical ties between enterprises and organisations of the SRV and CMEA countries, as well as establishment of joint enterprises and direct foreign capital investments.

Being defined now are the branches and types of production that should be used in increasing SRV's participation in the socialist economic integration. The most important of them are the agro-industrial sphere, the light industry, some branches of the extractive industries, co-production of a limited range of machinery—mostly on the basis of supplied raw materials.

A special role is given to raising the effectiveness of SRV's cooperation with the USSR. We are prepared together with the Vietnamese comrades to develop in every way industrial and scientific-technical cooperation, to set up joint enterprises in industry and in the agro-industrial complex, to cooperate in the output of light industry products. Yegor Ligachev said at the CPV Congress.<sup>19</sup> A special role is given to strengthening direct ties between the USSR's Far Eastern regions and the SRV, to taking appropriate steps to organise export of farm produce to these regions and setting up direct ties between major twinned cities of the SRV and the USSR.<sup>20</sup>

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The strategy of Vietnam's economic, political and ideological development in the coming five-year period and in the remaining years of the initial stage of the transitional period has been formulated in general outline in the decisions of the 6th CPV Congress. An analysis of this strategy gives every reason to believe that Vietnamese Communists strive to approach creatively and innovatively the solution of the most complex problems facing their country. There are no ready recipes for their settlement. Successes are achieved by overcoming difficulties and contradictions which, as it was noted in the Political Report to the 6th Congress, will

not vanish in the future. The CPV does not shrug off these difficulties and strives to make a deep analysis of both the positive and negative experience accumulated by it and by other socialist countries.

NOTES:

<sup>1</sup> *Nhan Dan*, Oct. 25, 1986.

<sup>2</sup> These discussions were dominated by a spirit of sharp criticism. Thus, it was noted at the 10th Party Conference in Hanoi in October 1986: "During the past period we lived through an 'infantile disorder' of leftism, displayed voluntarism and went counter to objective laws of development." *Nhan Dan*, Oct. 20, 1986.

<sup>3</sup> *Nhan Dan*, Oct. 20, 1986. "The new economic thinking," it was noted at the Hanoi Conference, "means applying the ideas of Marxism-Leninism to the concrete conditions in our country in accordance with objective laws, with the level of economic development at each separate stage. This is a dialectical, scientific and revolutionary thinking." The revolutionary importance of the spirit of profound change displayed by the 27th CPSU Congress was of great significance for Vietnamese Communists.

<sup>4</sup> See 5th Congress of the Communist Party of Vietnam, Moscow, 1983, p. 15.

<sup>5</sup> In concrete terms this was because the growth of production on the whole and the overcoming of the slump of the late 1970s did not ensure a stable satisfaction of the needs of consumption and accumulation; the planned targets for the production of key items (foodstuffs, fabrics, coal, cement, etc.) were not met. No substantial increase in the efficiency of production and capital investments was recorded. Serious difficulties have emerged in the sphere of distribution and circulation: aggravation of disproportions between supply and demand in the field of foodstuffs, consumer goods, energy and raw material resources, between the commodity and monetary mass, between export and import, the high rate of inflation, the rapid growth of prices, the decline of the real incomes of industrial and office workers in the state sector and of servicemen. Such negative phenomena as violation of social justice, corruption, etc., were on the rise.

<sup>6</sup> This classification of sectors was made at the Congress for the first time. Earlier (in the decisions of the 4th, 5th Congresses and other documents) the socialist sector was always divided into the state and cooperative sectors, while the natural-patriarchal and the small-commodity sectors were grouped together.

<sup>7</sup> In recent years the CPV has been paying special attention to the idea of actively involving the small ethnic minorities living in the mountainous regions of Northern and Central Vietnam in the country's economic life, in matters concerning the development of productive forces. The formulation of a correct policy in respect of the natural-patriarchal sector, the creation of effective incentives for development and progress acquire considerable importance in this connection.

<sup>8</sup> V. I. Lenin. *Collected Works*, Vol. 23, p. 272.

<sup>9</sup> For a long time it was thought in the SRV that the existence of additional capital investments, manpower, fuel and raw material resources was a sufficient guarantee for attaining high rates of economic growth. The two strong aspects of the Vietnamese economy—land and people—were pointed out. But it was not taken sufficiently into consideration that relations of *distribution* play a crucial role in the attainment of high results. Levelling in distribution, state subsidies to sustain a low but guaranteed stable living standard, the distribution of the necessities of life by way of a rationing system resulted in a situation where, despite huge inputs in structural changes in the economy, growth was sluggish and low rates persisted in the main structure-forming branches.

<sup>10</sup> In the present form the capitalist sector is not only a factor of growth but also a factor of deceleration because it develops mostly in the sphere of trade, generating disorganisation, chaos, spiraling prices and artificial shortages of consumer goods.

<sup>11</sup> See *Pravda*, Dec. 20, 1986.

<sup>12</sup> The per capita national income in the SRV amounts to 4 per cent of that in the European CMEA countries.

<sup>13</sup> *Pravda*, Dec. 18, 19, 1986.

<sup>14</sup> *Ibidem*.

<sup>15</sup> See *Foreign Trade of the USSR in 1985. Statistical Collection*, Moscow, 1986, p. 203.

<sup>16</sup> *Ibid.*, pp. 226, 227, 264.

<sup>17</sup> See *Economic Cooperation of CMEA Countries*, 1986, No. 1, p. 106.

<sup>18</sup> The solution of this question involves overcoming major difficulties first of all because of the unstable development of the main sectors on which economic growth at the present stage depends. The unfavourable weather conditions, the failures to fulfil various reforms might seriously affect growth rates. Thus, in 1986 the increases in the key indices were lower than the average figures for 1981-1985: national income—4.3 per cent, gross industrial output—5.6 per cent, gross agricultural produce—1.4 per cent. *Nhan Dan*, Dec. 26, 1986.

<sup>19</sup> *Pravda*, Dec. 16, 19, 1986.

<sup>20</sup> *Nhan Dan*, Oct. 20, 1986; *Pravda*, Dec. 17, 1986.

## CURRENT PROBLEMS OF PEACE, SECURITY IN ASIAN-PACIFIC REGION

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 14-28

**From the Editorial Board:** In November 1986, an international conference devoted to urgent problems of the Asian Pacific Region (APR) was held at the Institute of Far Eastern Studies under the USSR Academy of Sciences. We addressed a number of questions to Soviet and foreign participants in the conference, among them to Professor I. Kovalenko, Deputy Head of the CPSU Central Committee's International Department; M. Titarenko, Dr. Sc. (Philos.), Director of the Institute of Far Eastern Studies (USSR Academy of Sciences); Professor M. Hernandez, Director of the Asia and Oceania Research Centre attached to the Central Committee of the Communist Party of Cuba, Member of the CC of the CP of Cuba; Professor Van Trong, Director of the Institute of Asia and the Pacific under the Committee of Social Sciences of the SRV; D. Maam, Cand. Sc. (Hist.), Scientific Secretary of the Institute of Oriental Studies of the Mongolian Academy of Sciences; W. Bernstil, researcher at the Institute of the International Working-Class Movement, under the Academy of Social Sciences at the Socialist Unity Party of Germany Central Committee; P. Koos, researcher at the Institute of International Relations of the Hungarian Foreign Ministry; Y. Rowinski, researcher at the Institute of International Relations under the Polish Foreign Ministry; Professor D. Petrov, Head of a Department at the Institute of Far Eastern Studies; and Professor A. Yakovlev, Head of a Department at the Institute of Far Eastern Studies.

**Question:** Of late the problem of the APR has been increasingly attracting the attention of political, business, public and academic quarters. In your opinion what is the reason for this?

**I. Kovalenko:** The thing is that the importance of the Asian Pacific Region in the process of world development is steadily growing. This is only natural because the biggest countries (both in terms of size and population), such as the Soviet Union, the People's Republic of China, the United States of America, India, Indonesia, Japan, Canada, Mexico, Vietnam, Bangladesh, Australia and others which exert tangible influence on the international situation are located there. The territory of the region comprises almost half of the globe. More than two-thirds of humanity live in Asia alone. The countries of the region account for about 55 per cent of capitalist industrial production and 50 per cent of the world's trade. According to forecasts of futurologists, political analysts, and economists, by the end of this millennium the APR will play the key role in the world's political and economic ties, and the settlement of global issues.

The prediction made by K. Marx and F. Engels in the 19th century about the "dominating role of the Pacific Ocean" in international relations of the future is coming true. The founders of scientific communism wrote that the Pacific would play the role similar to that played by the Atlantic Ocean now, the Mediterranean in ancient times and in the Middle Ages—the role of the great waterway for world relationships.

Early in the 20th century, Lenin wrote about the "awakening of Asia". Today it has not only "awakened" but also considerably advanced in its economic and social development. At the same time it continues to remain a centre of grave contradictions. Suffice it to say that according to the UN Economic and Social Commission for Asia and the Pacific, "there live, in conditions of absolute poverty, 518 million people, which comprises 89 per cent of the world's poor".

One of the features characterising the APR is that there exist and interact the three big groups of states, i. e., socialist, developed capitalist, and developing countries. Imperialism spares no efforts to hamper

the onward historic processes in the region, check the growth and influence of the forces of socialism, social progress and peace. With this aim in view, it resorts not only to various political subterfuges and economic pressure, but also to military force. The US' second biggest group of armed forces abroad (nearly 500,000 officers and men) is deployed in the APR. A ramified system of US military presence in the region, including nuclear weapons and armaments of general assignment marked by enhanced strategic mobility, is directed against the Soviet Union and the other socialist countries of Asia. US and Japanese ruling quarters seek to set up a Pacific equivalent of NATO and thereby open a "second front" of their struggle against socialism. It is obvious that imperialism's military activities are also directed against the interests of all sovereign states of Asia.

**Question:** In what way do the major capitalist powers display their aggressiveness in the APR?

**M. Hernandez:** The significance of the APR in world affairs is determined, to a considerable extent, by the fact that it was precisely in that region that the USA used atomic weapons for the first time and unleashed wars (the most large-scale ones since World War II) against the Korean and the Vietnamese peoples. At present, too, the situation in the region remains tense because Washington is going out of its way to convert Asia into a field for confrontation with the Soviet Union, other socialist states and national liberation forces. The USA is doing everything possible to draw the countries of the region into direct military adventures in order to ensure its superiority at a possible theatre of military operations, to set up a profitable and stable market for its weapons, and to achieve hegemony in that part of the world which Washington regards as highly promising. Today, the USA has 83 military bases in the APR, mainly in South Korea, Australia, Japan and the Philippines. Apart from the Pacific, the USA has deployed a powerful military grouping equipped with different armaments, including nuclear weapons, in the Indian Ocean.

It should be added that the USA is striving to make the aggressive military blocs in the region more active, above all the notorious Washington-Tokyo-Seoul triangle. It is trying to compromise ASEAN, and so on. One can suppose that Thailand, which has close links with the United States, will be turned into a gigantic depot of armaments and ammunition in the region, and also into a springboard for actions aimed to frustrate peaceful development of the Indochinese countries. One should also bear in mind that Washington has included the Asian Pacific Region into its SDI programme, and this also aggravates the situation in that part of the world.

France also exercises military presence in the APR, though to a lesser degree than the USA, in a bid to preserve its strategic positions in the Pacific. It keeps under French control about 11.5 million square kilometres of the ocean space, possesses territories for carrying out its nuclear tests, building its air and naval bases, surveillance radars and space control bases. Paris is stepping up its military presence in New Caledonia. From 1975 to 1985, France conducted 67 underground nuclear explosions in that part of the world.

Japan plays an important role in the Asian Pacific Region. I would like to point out that the USA is seeking to involve Japan in its aggressive strategy, in particular in militarising outer space. Tokyo's militaristic trends aggravate the situation in the region.

**Question:** Would you kindly describe in more details Japan's stand as regards peace and security in the APR?

**D. Petrov:** The concept of security elaborated by Japan's ruling circles provides for a combination of political, economic and military means. Tokyo declares that in the sphere of politics it proceeds from the need

"to settle all disputes or conflicts between Japan and other countries through negotiations, to deepen mutual understanding and to develop friendly ties in politics, economics and other spheres". Particular significance is being attached to diplomatic relations with the states which have a direct bearing on Japan's security.

First and foremost, this relates to its relations with the Soviet Union. Here, the Japanese government pursued, however, a dual policy. On the one hand, it states its desire to develop good-neighbourly ties with the USSR. Certain steps to this effect were taken during the visits exchanged by the Soviet and Japanese Foreign Ministers in 1986. On the other hand, the Japanese ruling quarters are stepping up a campaign around the illegal and groundless claims on the southern part of the Kuril Islands. They state that, in accordance with their principle of "indivisibility of politics and economics", it would be impossible to develop Japanese-Soviet trade, economic and other relations without meeting their claims. The restrictions on the deliveries to the USSR of the high-tech machines and equipment are being toughened with every passing year. Simultaneously, the mass media are engaged in brainwashing the Japanese public with the aim to exaggerate the "threat" posed by the Soviet Union.

Japan also views relations with neighbouring Asian countries from position of confrontation with the USSR. Exceptionally great importance is being attached to relations with China. Tokyo is making every effort to develop "special relationships" with the PRC and, the importance of economic factors notwithstanding, it is ready to make essential concessions in a hope that Japan would succeed in drawing China, as much as possible, into the orbit of the world capitalist economy and in hindering the development of its friendly relations with the Soviet Union.

Proceeding from the same premise, Japan fully backs the US policy of perpetuating the division of Korea and unconditionally preserving the US bases and armed forces in South Korea.

In the economic sphere, the programme of ensuring security provides for the diversification of foreign trade ties with the purpose of reducing the degree of risk in case of a conflict situation in any part of the world and for the use, as much as possible, of economic levers in the form of various programmes of aid to ensure permanent deliveries to Japan of raw materials and fuel and also to stabilise the capitalist system in the developing countries. The so-called "strategic" aid which has been playing a growing role, especially during the past two-three years, implies the priority granting of big financial and material means to the countries and regimes which Japan, like the United States, regards as "strategically important" in opposing socialism (Pakistan, Thailand, South Korea and others).

In the military sphere, Japan's security concept is based on the following two pillars: the development of the military alliance with the USA and the buildup of "self-defence" forces potential. The "security treaty" concluded with the United States in 1960 and the ensuing agreements are regarded by Tokyo as the "cornerstone of Japanese defence". It sees the main advantage of its alliance with the USA in that the latter ensures a "nuclear umbrella", i. e., Washington commits itself to deliver a nuclear strike at any country which would dare use atomic weapons against Japan.

In exchange for a "nuclear umbrella", Japan has taken a number of important decisions. By the mid-1980s it had turned into a most important ally of the United States, and its significance in the strategic balance of forces has been growing continuously along the following directions:

- expanded moral and political support for Washington on all issues bearing on the problems of peace and disarmament;

— granting the Pentagon a free hand in implementing its plans as regards US bases on the territory of Japan in its own nuclear strategy, including the deployment, since March 1985, of the means of delivery of nuclear weapons—F-16 fighter-bombers on the Misawa military base in the northwest of the country and constant callings at Japanese ports by combat ships and submarines with nuclear weapons on board;

— Tokyo's support for the US "Star Wars" programme and readiness, expressed in a statement of September 9, 1986, to join this programme;

— substantial extension of Japan's functions in the US military-strategic system in Asia following Tokyo's commitments to carry out anti-submarine and anti-aircraft operations in the Northwest Pacific, to take part in the mining of the three straits, thus blocking off Soviet warships in the Sea of Japan and preventing their movement to the Pacific, and ensure combat patrolling at a one-thousand-miles distance from the Japanese coast. The latter includes the escorting of US warships with atomic weapons on board;

— invigoration of different military-political ties with NATO countries, US allies in Asia, including South Korea, and also with Australia and countries pursuing pro-American policies. The final aim is the promotion of the Pentagon's schemes with respect to setting up a global system of imperialist blocs.

Exchange of various military data has been going on since 1978, when the Chief of the National Defence Agency first visited the NATO Headquarters. In March 1983, Japan declared its desire to become an associated member of NATO. Though the proposal was turned down, Tokyo's military-political ties with West Germany, Britain and France continue to develop on bilateral basis. Since 1980, Japan has been participating in the large-scale naval exercises code-named RIMPAC, jointly with Canada (a NATO member) and Australia and New Zealand (US military allies). This is an important factor in drawing Japan into the NATO system. Great Britain, another NATO member, took part in the 1986 exercises instead of New Zealand. Japan sent a group of eight destroyers, second large after the USA. It was for the first time that a Japanese submarine also participated in the exercises.

Alongside its alliance with the United States, Japan, to ensure its security, assigns considerable importance to the buildup of its "self-defence forces". In conformity with an agreement concluded with the United States on November 27, 1978, the task of these forces is to repulse a "limited and small-scale aggression", to ensure the protection of the territory of Japan and the adjacent sea and air space, "to contain, exhaust and counter-attack the enemy" until the USA sends in its armed forces and uses nuclear weapons if need be.

The building of Japan's armed forces is proceeding at a fast pace. Its military outlays are growing much faster than those of the NATO countries. Between 1970 and 1985 these expenditures increased by 600 per cent, while in NATO as a whole—by 350 per cent. In 1986, Japan spent 3.3 thousand billion yen (\$16.7 billion) for military purposes and this is not much less than military expenditures of nuclear powers such as Britain or France. Although Japan has no strategic offensive weapons, its "self-defence forces", as to their fire potential, mobility and other parameters, rank sixth among the armies of the capitalist world.

Thus, the Japanese security concept proceeds from the inevitability of a further exacerbation of confrontation between capitalist and socialist countries, and the need to build up military might of Japan as an inseparable component of the imperialist system. Hence, as far as the basic problems of war and peace, including nuclear disarmament are concerned, Japan supported and will continue, in all probability, to support the policy of the United States.



**Question:** What are the specific features of the situation in the Far East? How does it influence the atmosphere in the entire Asian Pacific Region?

**W. Bernstil:** Political, economic and military processes occurring in the Far East are exerting increasing influence on the situation in the APR, particularly in East and Southeast Asia, and also in Southern Asia. What is the basis of this assessment?

First, unlike any other region in Asia, the Far East is the place where the interests of the basic forces of socialism and capitalism embodied by the Soviet Union and the USA, by China—a big socialist power—and by imperialist Japan, are intersecting. The situation on the Korean Peninsula also has a direct bearing on the stability and security of the entire region. The economic potentials of the Far Eastern states are developing dynamically. Their scientific, technological and industrial might exerts much influence on the socio-political development of other APR countries. One should also bear in mind that the level of military power concentrated in the Far East ranks second only to that concentrated in Europe.

Second, for the time being there is no sufficiently stable intertwining of political, economic, scientific, technical, cultural and other ties in the Far East which, on the whole, would be aimed at ensuring peace. The thing is that fast economic development of the Far Eastern countries began, in the main, only in the latter half of the 1950s and the beginning of the 1960s. Large-scale development of the Soviet Far East has also begun comparatively recently. Due to well-known reasons, socialist modernisation of the PRC is in its initial stage.

Though, after World War II, the position of socialism in the Far East had been considerably consolidated, the alignment of forces there was not so beneficial for socialism in its confrontation with capitalism as was the case in Europe. Under such conditions, imperialism—US imperialism above all—succeeded in channelling the development of the situation in a direction which was to its liking.

Third, till now there has never been any broad political dialogue in the Far Eastern region between the states located there. US imperialism succeeded in hampering detente which had begun in the region. Proceeding from the experience of detente in Europe, one can affirm that of paramount significance is the fact that till now the political structure in the Far East has not been so relatively stable as in Europe.

We believe, the situation in the Far East is being complicated, first, and foremost, due to the following factors:

- recognition of realities, which have taken shape in the Far East after the Second World War and the war in Korea, has not yet been achieved;

- there exist complicated territorial issues in relations among countries of the region;

- the USA and South Korea show no readiness for a political settlement of the problems on the Korean Peninsula;

- Washington seeks to change the regional alignment of forces in its favour, primarily by means of developing military-political ties with Tokyo and Seoul.

In the 1980s, the USSR, Mongolia and the Democratic People's Republic of Korea took some initiatives aimed at achieving detente in the Far East. This started a dialogue which in future was supposed to result in confidence-building in the political and military spheres, development of multilateral interstate relations and, subsequently, in gradual creation of a broad system of security in the Far East.

**Question:** US imperialism has been pursuing in the APR a policy of setting up aggressive blocs, with Washington-Tokyo-Seoul triangle as its

important element. What are, in your opinion, the processes occurring within that, in fact, military alliance?

**P. Koos:** Growing military-political cooperation of the United States, Japan and South Korea within the framework of the so-called Washington-Tokyo-Seoul triangle represents an important element of implementing in the APR, including the Far East, the aggressive strategy of imperialism directed primarily against socialist countries. The correct usage of the term "triangle" can be disputed, but if one imagines it, then the comparative fragility and weakness of the Tokyo-Seoul side will be obvious, as compared with the relative strength of the other two sides. The United States is linked with Japan and South Korea by military-political treaties and regards them as its major allies in the Far East.

Relations between Tokyo and Seoul are developing differently. Suffice it to say that their diplomatic relations were established 20 years after the Second World War. It was only in 1983 that head of the Japanese government paid a visit to Seoul. The ruling quarters of South Korea cannot ignore the sentiments of the country's public which still remembers the 35-year-long Japanese colonial domination. The South Korean public is also worried by the discrimination against Koreans residing in Japan (there are approximately 680,000 of them).

Due to the coincidence of class interests, Japan unequivocally supports South Korea against the DPRK which, however, in no way excludes Japanese-South Korean contradictions. Tokyo finds it beneficial to preserve tension on the Korean Peninsula: it impels Seoul, among other things, to keep its military potential at a high level to the detriment of economic development and this, in turn, reduces South Korea's chances in the world market as compared with Japan. At the same time, South Korean monopolies, which have grown stronger, are well aware that their interests are being infringed upon by more powerful Japanese monopolies, both inside South Korea and beyond its boundaries.

Thus, relations between Japan and South Korea are marked by a rather heavy burden of contradictions. In foreign policy, however, Tokyo and Seoul, guided by Washington which has been constantly present in the Far Eastern region, form a united front primarily against the socialist states. The tripartite military-political cooperation, despite the existing differences and regular slumps, continues to gain ground. Having assumed the form of an unsigned treaty on a military alliance, it presents a grave threat to peace and security in the Far East.

**Question:** What is the present-day situation in Southeast Asia? What are the prospects and possibilities for its stabilisation?

**Van Trong:** The countries of Indochina still lack conditions for curing the wounds of war for peaceful restructuring of their economies. Some of the ruling circles in ASEAN member-countries have come under the political influence of the USA, depending on Japan economically, and being in captivity of anti-communism. These circles are pursuing an obsolete policy, which is only capable of inflicting damage on short-term and long-term interests of their own countries. The states in Southeast Asia, including the Indochinese countries, emerged under similar cultural and historical conditions. Today all of them have become victims of the aggressive expansionist policies of Western powers. At present the countries of Southeast Asia, being located in a strategically important region, should realise their vital, long-term interests and tell partners from potential rivals.

The struggle to turn the APR into a region of peace without conflicts and foreign military bases, with the countries engaging in scientific, social and economic cooperation, and exchanging experience in the solution of socio-economic problems, meets the interests of the Southeast Asian nations. Southeast Asia can make a valuable contribution to the imple-

mentation of the proposals on Asian Pacific problems advanced by Mikhail Gorbachev and supported by the socialist countries. This will occur when the ASEAN countries start a dialogue with the countries of Indochina and settle problems of mutual interest together with them. The problems include primarily the Kampuchean issue and the establishment of good-neighbourly relations with Vietnam, Kampuchea and Laos. Due to its geographical location and traditional ties, the People's Republic of China also plays an important role in solving Southeast Asian problems.

The countries of Indochina have repeatedly advanced proposals full of goodwill and reflecting a new and realistic approach to the situation in the region. It was reiterated at the 13th Conference of the Indochinese Foreign Ministers (October 1986 in Hanoi) that the Socialist Republic of Vietnam, the People's Republic of Kampuchea and the Lao People's Democratic Republic want an "early restoration of friendship with the Chinese people". The three Foreign Ministers pointed out that "normalisation of relations between Vietnam, Laos and Kampuchea, on the one hand, and the Kingdom of Thailand, on the other, is a highly important factor of peace and stability in Southeast Asia". At the same time, the Conference put forward concrete proposals to Thailand and China on the development of mutual relations. As far as the Kampuchean problem is concerned, the Ministers stated: "If the sides agree that the basic problem lies in the withdrawal of the Vietnamese armed forces from the territory of Kampuchea and in the elimination of the Pol Pot clique guilty of genocide, we can immediately get down to negotiations to resolve these problems in order to attain a political settlement in Kampuchea and to ensure peace and stability in Southeast Asia."

We don't think that the settlement of the Kampuchean issue, like restoration of friendly relations between Vietnam and other Indochinese countries, on the one hand, and the People's Republic of China, on the other, can be attained easily and quickly. However, we believe that there exist prerequisites for a ceasefire and settlement of conflicts in Southeast Asia. The Chinese leaders and ASEAN ruling circles should only have a sincere desire to solve these problems peacefully.

**Question:** As is known, in the 1980s, the Mongolian People's Republic came out with a number of initiatives concerning the situation in the Asian Pacific Region. Would you kindly tell us in detail about those initiatives?

**D. Maam:** Active promotion of lasting security and peace in Asia has always been and continues to be the principal aspect of the foreign policy pursued by the Mongolian People's Revolutionary Party and the Mongolian government.

On the threshold of the 1980s, the political situation in Asia became again complicated, and armed conflicts increased in many districts of the continent. Under such conditions, the 18th Congress of the MPRP (1981) advanced a proposal to elaborate and conclude a convention on mutual non-aggression and non-use of force in relations among Asian and Pacific states. The aim of the proposal is to exclude aggression and the use of force in relations among states in the APR, to promote peace and security in Asia, and normal and good-neighbourly relations among all the countries of that region.

Our initiative stems from the fundamental principles of the Leninist foreign policy which has proclaimed the concept of peaceful coexistence. It properly takes into account the experience of the Bandung Conference, as well as the principles embodied in the UN Charter and documents adopted at the nonaligned countries' conferences.

As for the essence and major elements of the convention we have proposed, this stems from the proposal itself. Such principles as mutual respect for independence, sovereignty and territorial integrity, inviolability

of state borders, equality, non-interference in domestic affairs of each other, non-use of force or the threat of force, the settlement of outstanding issues exclusively by peaceful means and the development of mutually beneficial cooperation could underlie the convention.

It is self-evident that, under the prevailing conditions, the implementation of our initiative is not an easy task. One should take into account the entire complexity and contradictoriness of the situation obtaining in Asia and the Pacific today. Primarily, one should reckon with the existence of a lot of unsettled problems inherited from the past and also with the high military activity of the USA and its allies.

I believe, to implement the Mongolian initiative a stage-by-stage approach is necessary—from the simple to the complicated. Thus, initially it is imperative to inform all countries of the APR about the proposed initiative, explain its essence and principles, hold bilateral meetings, negotiations and multilateral consultations, and then steer towards conferences of Asian and Pacific countries for a joint examination of the problems of security in the region and the conclusion of a convention. The next stage should be the implementation of the initiative and joint adherence to its principles which comprise a permanent mechanism of Asian security.

During the years that have elapsed since the 18th MPRP Congress a considerable amount of work has been done with the purpose of informing the governments and public of Asian and Pacific states of the Mongolian foreign policy initiative, and explaining its essence and principles. In this connection of great importance are the appeal of the MPR Great People's Khural (Parliament) in June 1981 to the Parliaments of Asian and Pacific countries; a Message of the Chairman of the Presidium of the Great People's Khural to heads of state and government of 50 countries, including all the permanent members of the UN Security Council; a memorandum of the Mongolian government of December 10, 1983, released at the UN; an appeal of the Great People's Khural in December 1983, and so on.

Since 1982, Mongolia has been conducting, at different levels, an intense bilateral exchange of opinion with other Asian countries, and since 1983, on the MPR's initiative, the holding of multilateral meetings and conferences to promote our proposals have been going on. For example, in 1983 a working meeting of deputy foreign ministers of socialist countries was held; in 1984—a conference of experts from socialist countries; and in 1984 and 1985—international meetings of youth and trade union organisations of Asia and the Pacific. In 1983 and 1986, Ulan Bator was the venue for consultative meetings of parliamentarians from socialist countries who discussed urgent problems of enhancing the role of parliaments in mobilising peoples to struggle for peace and against the danger of war in Asia. It is beyond doubt that all these efforts constitute an important step towards implementing our initiative.

In recent years Mongolia's foreign policy initiative has been arousing increasing interest and understanding in other states of the region. Governments of many APR countries, as well as international organisations, share our proposal and assess it positively. The UN Secretary-General stressed in his letter that he welcomed the Mongolian initiative as a step aimed at buttressing international security and meeting the interests of all the humankind. The international conference for peace and security in East Asia and the Pacific held last December in Manila (the Philippines) issued an appeal to all states in Asia and the Pacific calling them to sign a convention on mutual non-aggression and non-use of force in relations among them. The international conference for peace in Asia and the Pacific, held in Sydney, Australia, in late October 1985, made a point in its final declaration that the translating into life of the Mongolian ini-

tiative would create a pillar for essentially important guarantees of universal security in Asia and the Pacific. The international conference for peace and security in Asia, held in Bangalore (India) early in July 1986 passed a special resolution in support of our proposal. The resolution reads in part that the implementation of Mongolia's proposal as well as of the constructive initiatives set forth by other socialist states and by the nonaligned countries, would tangibly contribute to turning Asia and the Pacific into a zone of peace and security.

The current situation in the APR, the stepping up of military preparations and the invigoration by imperialist circles of the "neoglobalism" policy demonstrate that to consolidate peace a determined struggle, unification and activation of all forces favouring peace and opposing the threat of war are necessary. Given this situation, the political significance of our proposal is growing.

The 19th Congress of the MPRP (1986) stressed the need to continue efforts towards promoting our initiative aimed at creating a mechanism which bars the use of force in inter-state relations, and to take an active part in carrying out peace initiatives set forth by other countries. The Congress supported the idea of holding a meeting of representatives of Communist and Workers' Parties of the APR countries to discuss jointly problems of peace and security in Asia. It also expressed the MPRP's readiness to take an active part in its preparation and holding. Jambyn Batmunkh, General Secretary of the MPRP CC, emphasised at the Congress: "The developments in Asia convincingly confirm the urgent need for such a meeting."

In this connection, a number of bilateral and multilateral meetings and consultations of the fraternal parties took place in 1986 on the MPRP initiative. The participants in the consultation of the APR fraternal parties, held in Ulan Bator unanimously came out for holding a regional meeting in the near future, and set up an *ad hoc* group for its preparation. Our party was charged with the function of a coordinator of the meeting's preparation. At the latest session of the *ad hoc* group it was unanimously decided to convene in the summer of 1987, in Ulan Bator, a consultative meeting of representatives of the national contingents of the communist and working-class movement in the region. The 19th MPRP Congress also deems it necessary to convene an all-Asia forum for peace and cooperation with the participation of representatives of the Asian public. Mongolia spares no effort to this effect.

The implementation of our proposal would promote the realisation of initiatives by the Soviet Union and other peaceloving countries towards improving political climate in the world as a whole and in Asia and the Pacific in particular. Of exceptional significance here is the Soviet Union's idea concerning a comprehensive approach to ensuring security in Asia on the basis of joint efforts by Asian states, inasmuch as it serves as an impetus for a new political thinking in international affairs.

Peace initiatives of the USSR and other socialist, as well as nonaligned countries, actually open up fresh possibilities for further promoting the Mongolian proposal since they all pursue one and the same objective—consolidation of peace and security, mutual confidence and cooperation in Asia.

We maintain that all these proposals and initiatives can and should become an efficient alternative to the aggressive policy of imperialism in Asia and the Pacific. The translating into reality of these proposals would contribute to the intensification of the general struggle to free humankind from nuclear and other types of mass destruction weapons, to create foundations for an all-embracing system of international security.

While giving a realistic assessment to the ever mounting role the

peoples of Asian and Pacific countries are playing to solve the problems of peace in Asia and the world at large, the Mongolian public is strongly convinced that the peoples of the continent can, by joint efforts, put up a strong barrier against the aggressive schemes of imperialism and militarism, and ensure peace and security in Asia and the Pacific.

**Question:** What place does the APR occupy in Soviet peace strategy?

**M. Titarenko:** The Soviet Union has been sincerely striving for the APR to be no longer a source of international tension and to become a reliable zone of peace and security, trust and mutual understanding, multifaceted and mutually advantageous cooperation for the good of mankind.

What distinguishes the Soviet Union's approach to the problems faced by the APR? This is primarily realism, a clear understanding of the difficulties created by a most complicated knot of political, economic, military, strategic, national, state, religious and other differences. At the same time, realism is closely linked with businesslike optimism and confidence that, despite the intricate and contradictory situation in the region, it is possible to find mutually acceptable solutions to the existing problems, disputes and conflicts if all the countries concerned display goodwill and objectivity.

New approaches to the settlement of many problems, courage and constructiveness, elaboration of reliable and concrete measures and guarantees to ensure an atmosphere of confidence, thoughtful attitude to the proposals and initiatives of other states and readiness to search for compromise solutions—these are the features characteristic of the Soviet stand. In a nutshell, this is new political thinking in action.

The large-scale platform for ensuring peace, security and cooperation in the APR, proposed by the Soviet Union, can be divided into two major sets of ideas. The first includes general principles governing mutual relations of states in the region and approaches to the settlement of existing contradictions. While they were elaborated, the constructive initiatives and ideas voiced by different Asian countries in postwar years were also taken into account: the Pancha Shila principles, the ten Bandung principles, the experience and peaceful initiatives of the socialist countries in the region (the Mongolian People's Republic, the Democratic People's Republic of Korea, the Socialist Republic of Vietnam, the Lao People's Democratic Republic, the People's Republic of Kampuchea, the People's Republic of China), of different capitalist states (India, Japan), and of ASEAN members. They mirror recommendations formulated in decisions and resolutions of the United Nations as regards Asia. For the first time, this diverse experience, multiplied by many ages of traditions in settling relations among Asian states, was brought to a single denominator and subordinated to a noble cause, i. e., bringing to light common approaches, common interests in resolving the most intricate problems of peace, development and progress.

The second set is composed of various measures and practical steps at regional, sub-regional and bilateral levels whose coordinated implementation would make it possible to improve, step by step, the political climate in the region and make a decisive turn towards confidence-building and mutually advantageous and multilateral cooperation.

In the contemporary world, complicated and mutually dependent, the problems of the Asian Pacific Region cannot be examined in isolation from the international situation as a whole. The struggle for such acute and vital things as disarmament and prevention of a nuclear catastrophe exerts, naturally, immense influence on the situation in the region. And, in turn the processes taking place in the APR frequently tell on the international political climate in general.

What are the concrete proposals made by the Soviet Union?

Primarily, to carry out, in the whole of the region, a wide range of specific political, military and economic measures.

Careful preparation for, and convocation of, an all-Asia forum to jointly look for constructive decisions could play a positive role in the political sphere. The opponents of this initiative claim that it is necessary, allegedly, first to resolve all the disputes dividing the sides. They also claim that until this is done, the meeting would prove barren and even harmful. This viewpoint can hardly be agreed with.

First, the Soviet proposals do not provide for an immediate holding of an all-Asia forum. What is meant is its stage-by-stage and careful preparation, with due account of the specifics of the obtaining situation in the region. There is no need to copy mechanically the Helsinki experience.

Second, it is proposed, simultaneously with the preparation for a forum, to carry out a broad range of measures for solving the existing regional, sub-regional and bilateral problems—from Kampuchea to Afghanistan, from respect for the non-nuclear status of countries in the South Pacific to proclaiming the Korean Peninsula and Southeast Asia a nuclear-free zone, and from improving relations between the USSR and China, the USSR and Japan to a dialogue with the USA.

A carefully prepared meeting of leaders of the APR countries would make it possible to reveal their common approaches and to try to elaborate common principles of behaviour and coordination of the interests of states in a nuclear-space age. The experience of Bandung, the Sino-Indian relations in the mid-1950s, the Geneva Talks on Indochina, the negotiations on an armistice in Korea, Indian-Pakistani negotiations in Tashkent and Simla testify convincingly in favour of preparations for, and convocation of, an all-Asia forum.

It is possible that the preparations for an all-Asia summit conference will require (and this is seen from the experience of other similar conferences, including Bandung and Helsinki) a series of different regional meetings or working conferences of representatives from the countries concerned. It is highly important here to display readiness for cooperation and to start the Asian process.

In the military sphere the Soviet Union proposes a set of measures, the implementation of which would substantially relax tension and enhance the confidence of each state in its security. This primarily concerns the elaboration and application of confidence-building measures at regional and sub-regional levels on multilateral and bilateral basis. In particular, it would be possible to make use of the positive experience gained by the Stockholm Conference and include in the system of confidence-building measures agreements on advance notice of major movements of troops, large-scale exercises of ground forces, sending observers to the exercises, expanding the exchange of military delegations, as well as other agreements with due account of the specific features of the political and military situation in the region.

All this is of particular significance because, with every passing year, the number and scope of military exercises conducted in direct proximity to the borders of the Soviet Union and other socialist countries of Asia are growing. For example, more than 200,000 US and South Korean officers and men took part in the Team Spirit-86 military exercises in South Korea. In 1985 alone the Japanese "self-defence forces", together with US armed forces, conducted military exercises 20 times, some of which took place on the Hokkaido Island near the Soviet border.

The Soviet draft agreement on the restriction of naval activities and the spread of the confidence-building measures to seas and oceans, particularly to those areas where there are most heavy sea routes, is directly linked with proposals on confidence-building measures on land. This initiative has a most direct bearing on the Asian Pacific Region because

it is precisely the area for the biggest naval exercises since the end of the Second World War. For example, 50 warships, including strike aircraft carriers *Carl Vinson* and *Ranger*, 250 aircraft and about 50,000 officers and men from the USA, Japan, Britain, Canada and Australia, took part in the RIMPAC-86 military exercises. In September 1986, a strike group of ships from the US Seventh Fleet, led by the *New Jersey* battleship, equipped with Tomahawk cruise missiles capable of delivering nuclear warheads, conducted exercises in the Sea of Japan and the Sea of Okhotsk, that is, at the very shores of the Soviet Far East. In this connection, the Japanese press pointed out that the military exercises were obviously of a provocative character.

In a bid to frustrate detente in Asia, the advocates of undermining the strategic parity are trying to camouflage their imperial ambitions by noisily doubting the sincerity of the Soviet peace initiatives. In his speech in Alaska, on the eve of his visits to Asian countries in October 1986, Caspar Weinberger, US Secretary of Defense, declared that an all-Asia forum can take place only provided the Asian states had grounds to believe, proceeding from the actions by the Soviet Union, that the latter is capable of acting with responsibility. But who are the judges? Surely, the numerous Soviet initiatives aimed at ensuring peace and security in Asia, convincingly demonstrate the profound responsibility which the Soviet government displays when dealing with these complicated but urgent problems.

The task which has long become ripe is to switch the confidence-building measures in the Far East and the non-use of force in the region into a practical plane. According to the Soviet Union, the solution of this problem can begin with the discussion of simpler questions such as elaboration of measures to ensure security of sea lanes in the Pacific, and also the prevention of international terrorism.

An accord on mutual prevention of deployment of new medium-range nuclear means could play an important part in improving the climate in the Far East.

The Soviet programme for eliminating nuclear weapons by the year 2000 provides for full dismantling of SS-20 missiles and other nuclear means at the second stage, i. e., approximately by 1995 given, of course, the existence of a corresponding agreement with the United States.

In Reykjavik, during his talk with US President Reagan, Mikhail Gorbachev showed the Soviet Union's readiness to meet half way the concern of the USA and its allies about Soviet missiles in Asia, and offered the following formula: no missiles in Europe and 100 combat charges on medium-range missiles in the Asian part of the USSR and, correspondingly, on the territory of the USA. That was a major concession by the Soviet Union. The fundamental accord on this problem, which had been reached, did not materialise in an agreement, due to Washington's unwillingness to give up the deployment of SDI and observe the ABM Treaty.

The Soviet programme of peace, security and cooperation for the countries of Asia and the Pacific is not utopia, but a set of realistic and well-considered concrete proposals taking into account the interests and possibilities of all states linked with that region.

In the opinion of the Soviet Union, political and military measures towards lowering tension should most directly be tied up with various economic measures which could create a reliable material foundation for profound mutual understanding and expansion of cooperation among countries in the region. While proceeding from these basic approaches, the Soviet government issued an appeal to all states in that part of the world to take measures aimed at developing equitable, mutually advantageous and stable trade, economic, technological, scientific and cultural



cooperation, including the development of productive forces, resources of the ocean, training of personnel, use of new sources of energy, (nuclear energy as well), and improvement of transportation and communications.

A broader exchange of scientific and technological information would serve the interests of all countries in the region. There is much room for mutual efforts in elaborating measures to protect the environment and using rationally biological and mineral resources of seas and oceans, fighting natural calamities and eliminating their consequences. Of particular value for the countries of the region would be the development of cooperation in medicine and health protection. Finally, it is also quite possible to make joint efforts in research and peaceful uses of atomic energy, and also in the development of outer space for peaceful purposes.

While opposing closed military-economic groupings in the APR and advocating mutually beneficial cooperation among all countries without exception, the Soviet Union is ready to treat the idea of "Pacific economic cooperation" positively and examine possibilities and concrete forms of its participation. At the same time, the USSR vigorously supports the idea of establishing a new international economic order advanced by the developing states.

**Question:** What is the impact of the improvement in Soviet-Chinese relations on the situation in the APR?

**A. Yakovlev:** The process of restoring allround cooperation and good-neighbourliness between the USSR and China is, as a matter of fact, still at its initial stage. However, its weighty role is already quite evident, the role of tackling the tasks of stabilising the situation in the Asian Pacific Region. The potentialities of that process and the directions of its positive impact on international relations in the region are clearly discernible.

First and foremost, it should be pointed out that the tension in the vast expanses of Asia along the Soviet-Chinese border, which stretches from the Pamirs to the Pacific, has been eliminated. This tension not only deteriorated the situation in the APR but also promoted, to a certain extent, the invigoration of other negative factors. In particular, it was linked with the mounting toughness of the approach by the USA and Japan to their relations with the USSR and its allies in Asia. Sharp frictions between the two socialist powers weakened the anti-war movement of public forces in the APR, slowed down the development of that movement, complicated its consolidation which is assigned here, as elsewhere, to make a considerable contribution to the cause of peace.

The elimination of tension in the bilateral relations between the USSR and the PRC is of paramount importance and topicality for the settlement of the problems of security and cooperation in the APR. Judging by all objective data, it was precisely from this point that a real turn towards a profound improvement of the international situation in that part of the world could most probably start. However, a good beginning, no matter how great it is, is only a beginning. The nature of our day and age, the situation and tendencies of the development in the region and the world at large demand more. It is highly significant that the USSR and China have the desire and goodwill to respond to that demand properly, aware of their great international responsibility. Although in different ways, the two sides quite unequivocally express at the highest official level their resolve to steer towards restoration of good-neighbourliness. For example, at the session of the Political Bureau of the CPSU Central Committee on September 18, 1986, it was emphasised that, "in conformity with the line determined by the 27th CPSU Congress, the Soviet Union will continue to do all within its power for Soviet-Chinese relations to acquire the character of solid good-neighbourliness in the in-

terests of our peoples, consolidation of peace and socialism." On March 18, 1986, the Premier of the PRC State Council Zhao Ziyang stated: "China and the Soviet Union are neighbours. Traditional friendship exists between the peoples of the two countries. We extremely appreciate this friendship."

Stemming from the foundations of Soviet and Chinese societies, the present-day developments of practical relations between the two countries are basically irreversible. This factor influences and will continue to influence the international political processes in the APR in several aspects.

Having made the prospect for bilateral Soviet-Chinese relations clearer, this factor impels the two states towards broadening the range of problems and questions, spheres and fields of cooperation and mutual interaction, and this range is gradually embracing the political aspects of their contacts as well. In other words, the clear nature of the prospects primarily encourages the very process of normalising Soviet-Chinese relations as an important component of the entire system of international relations in the APR.

The process of overcoming difficulties and problems in bilateral Soviet-Chinese relations, as well as the clearly expressed desire of the two states to restore good-neighbourliness, will logically and inevitably leave an ever deeper imprint on the foreign policy behaviour of the USSR and PRC as the major subjects in the Asian Pacific policy. In particular, they prod the two powers to use the fresh opportunities, which have emerged as a result of better relations, to search for more rational approaches to the settlement of local military conflicts in Asia, particularly those in which they have been involved in one way or the other. At any rate, it is self-evident that there is an essential difference in the possibilities of choosing by China and the Soviet Union specific ways and means for settling the above-mentioned conflicts in conditions of mutual confrontation and mutual striving to restore cooperation and good-neighbourliness.

Noticeable rapprochement between the PRC and the USSR on international security, which is taking place simultaneously with the improvement of Soviet-Chinese relations (and in connection with this fact), considerably increases the material basis of the peace potential in the Asian Pacific Region. The indirect interaction between the USSR and China in the struggle against the mounting military threat, which is developing on the basis of that rapprochement, contributes to the invigoration and consolidation of the anti-militaristic public and other forces in the APR. At present different trends and forces obtain simultaneous support from the two great powers.

**Question:** What policy will the PRC pursue till the end of the 20th century?

**Y. Rowinski:** The current domestic policy of China seems to be a relatively stable factor. It mainly proceeds from creating most favourable external conditions for the implementation of the programme of modernisation. This means that the PRC today is interested in the existence of a firm and stable "peaceful encirclement". The growth of political and economic importance of China in Asia and the Pacific (though its relative military weakness prevails) creates objective prerequisites warranting a conclusion that it is interested, and will possibly participate, in the quest for more solid peaceful solutions in the Far East which may become an embryo of Asian or Far Eastern system of security. The exceptionally important ideas and proposals presented by Mikhail Gorbachev in his speech in Vladivostok, meet the above-mentioned trends in PRC's policy. They are aimed at searching for compromise solutions, taking into account the interests and aspirations of the countries concerned and the entangled conditions obtaining in the region. It is beyond doubt that

this will be an intricate, hard and protracted process, but it is in the interests of all sides. Asia and Far East are now facing an exceptional chance throughout the entire post-war history.

**Question:** Asian and Pacific problems are a comparatively new sphere of research by scholars of the Soviet Union and other socialist countries. What could be the directions in studying the APR?

**I. Kovalenko:** Scholars cannot stay indifferent to the struggle for a peaceful Asia and for a truly tranquil Pacific Ocean. Their duty is to study profoundly the processes underway in the APR, lay bare the intrigues of imperialist and militaristic forces, and find ways towards an accord and peaceful and businesslike ties among the countries of the region.

I shall name some possible, in my opinion, directions of research concerning the APR.

— Elaboration of ways towards further strengthening of socialism in Asia and the Pacific. Its consolidation will strengthen peace and security in the region.

— Profound analysis of the present-day policy, economic situation, international relations and also historical traditions and contemporary trends characterising the development of each Asian Pacific country with the aim of elaborating a scientifically substantiated line in relations with those states.

— Conceptual elaboration of the problems of war and peace in the APR, primarily profound and allround studies of a comprehensive approach to the problem of Asian security, a quest for most efficient ways towards detente in the region, slackening military activities, establishing good-neighbourliness, and mutually advantageous economic, scientific and technological cooperation.

— Studying the peculiarities inherent in the communist, workers' and national liberation movements, the activities of political parties, democratic and anti-war organisations in the APR to ensure interaction with all progressive and peaceloving forces of the region, in the struggle for peace and international security.

— Most important direction of the research includes examination of the character of economic relations and integration processes in the region, the study of possibilities for extending economic cooperation between the CMEA and the APR states and regional organisations operating there.

— The study of the military-strategic situation in the region, exposure of imperialist designs towards attaining military superiority and creating a direct threat to the USSR, the DPRK, the countries of Indochina, and the peoples of other countries, are the tasks of prime significance.

The new epoch demands manifestations of new political thinking, a quest for new approaches to the solution of the existing problems. The realities of the Asian Pacific Region also demand a new approach.

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The present-day situation in the Asian Pacific Region presents an entire set of problems of vital significance to peace and security throughout the world. Of course, not all of them were reflected in our discussion. It is beyond doubt that the developments in the region will bring forth a number of new issues demanding settlement. In this connection the Editorial Board plans to continue discussions on this urgent subject and invite leading political analysts to take part in another Round Table session.

## PEACE, SECURITY FOR ASIA

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 29-31

[Article by Cha Gun Chuk, member of the All-Korea National Peace Committee]

Achieving peace and security in the Asian Pacific Region is an urgent problem of our day. Asia and the Pacific occupy half of the Earth's surface, and therefore peace and security there are an important element of universal stability. By its policy in the APR, American imperialism creates an obstacle to achieving this goal. Kim Il Sung, President of the Democratic People's Republic of Korea, said that having declared the APR a "sphere of its vital interests" and a key to its security, the United States is trying to build a comprehensive political, economic and military machine there, based on the US-Japan-South Korea military triangle in order to dominate other states of the region. Hence, US intensified acts of aggression against the socialist countries and progressive forces in the APR, which are linked with the region's advantageous strategic position as well as its high economic and military potential.

The APR includes the Strait of Hormuz, a major oil route of the West, and the Straits of Malacca, connecting the Pacific and the Indian Oceans. It also includes Japan and South Korea, America's closest allies and proponents of US imperialist policies in this region which is rich in mineral resources.

America's military preparations in the APR make it highly explosive. Large US military contingents are stationed in the region and 350 military facilities and installations have been built there. American nuclear weapons and means of their delivery have been deployed over the vast territory stretching from the Hawaiian Islands (with their network of war bases) through Japan, South Korea and the Philippines to Guam and Australia.

Washington's militaristic ambitions in the APR are best manifested in its efforts to knock together a US-Japan-South Korea military triangle. It will serve as the foundation for a military bloc embracing the whole region. To achieve this, the United States is strengthening its military alliance with Japan and South Korea and promoting military rapprochement between the latter. Such endeavours are aimed at curbing and suppressing the independent anti-imperialist forces in the region and reinforcing US economic expansion through arms build-up. Its other purpose is to gain complete control of anti-revolutionary forces and, subsequently, draw them into hostile activities against the socialist countries.

Viewing the Korean Peninsula as an important strategic bridgehead in Asia, US imperialists claim it to be a "testing ground for military confrontation in the 1980s", and a "US strategic frontline".

The US policy of nuclear blackmail has turned South Korea into the most dangerous hotbed of tension and the largest nuclear outpost in the Far East packed full with weapons. Today South Korea has become an area where the biggest quantity of nuclear weapons, including bombs, warheads and mines, is concentrated. There is one unit of these weapons to every hundred square kilometres of the South Korean territory, that is, four times as many as the average for the NATO countries. Besides neutron bombs, it has been decided to deploy in

South Korea medium-range Pershings and cruise missiles. Equipment for their ground deployment is being brought to South Korea. On October 14, 1986, the US Defence Department and the South Korean administration announced their decision to deploy in South Korea, within several months, Lance missiles capable of carrying nuclear warheads, chemical and other weapons.

Having concentrated in South Korea modern weaponry of mass destruction, including nuclear arms, the US brass hats regularly conduct large-scale aerial, ground and naval exercises as part of their preparations for an aggressive war against the Democratic People's Republic of Korea.

As a result of provocative actions by the United States and the Seoul regime, the Korean Peninsula is now fraught with a real danger of military confrontation. The danger of war is also imminent in other regions of Asia and the Pacific Ocean.

The present situation demands that the peoples of the Asian Pacific Region (APR) and the peaceloving forces throughout the world wage a resolute struggle to frustrate the US nuclear-war plans and to turn the region into a zone of peace free from nuclear armaments.

The Workers' Party of Korea (WPK) and the government of the DPRK have been steadily working for peace and security in the APR. The DPRK believes that stable peace and security in the region are an integral part of the process of promoting peace worldwide. The situation on the Korean Peninsula is closely connected with the situation in the APR as a whole, and is relevant to the international situation at large. Therefore, peace in Korea and a peaceful reunification of the country are vital for peace and security in the Asian Pacific Region.

The DPRK government and the WPK, guided by the sense of responsibility to their homeland and people, and aware of the importance of their noble mission for the sake of peace in Asia and all over the world, are sparing no effort to achieve peace and a peaceful reunification of Korea.

In order to preserve peace on the Korean Peninsula and to settle the Korean problem by peaceful means, the DPRK government and the WPK have made just and realistic proposals, which include three principles of Korea's reunification, and a draft project of setting up a Democratic Confederal Republic of Koryo, and are working stubbornly for their implementation.

In the last few years, the DPRK proposed more than once to conduct tripartite talks involving the DPRK, the United States and South Korea; replace the Korean armistice with a peace agreement; sign a non-aggression pact between North Korea and South Korea; and hold parliamentary talks. These and numerous other peaceful proposals are aimed at preventing nuclear war in Korea, consolidating peace, and clearing the road for a peaceful settlement of the Korean question.

Not long ago, Pyongyang came out with a proposal to conduct talks between DPRK, US and South Korean military authorities and discuss ways and means for relaxing tensions on the Korean Peninsula. In particular, it was proposed to consider ways of turning the Korean Peninsula and Northeast Asia into a nuclear-free zone of peace. In 1981, a Joint Communiqué issued by the WPK and the Socialist Party of Japan expressed their firm determination to wage a principled struggle for the creation of a non-nuclear zone of peace in Northeast Asia.

On June 23, 1986, the DPRK government made yet another important proposal on turning the Korean Peninsula into a nuclear-free zone. The creation of such a zone, in accordance with the peaceful proposals set forth by the government and the Workers' Party of Korea, would

mean the elimination of a dangerous hotbed of nuclear holocaust and promote peace in the APR and the world over.

Peace and security on the Korean Peninsula, in Northeast Asia, and in the APR as a whole is an urgent problem demanding immediate solution. This is the stand taken by the socialist countries and by all peaceloving peoples on the globe.

Conscious of its responsibility for the cause of world peace, the Soviet Union constantly attends to the situation in the APR and greatly contributes to peace and security there.

Of great significance in this connection is the statement made by Mikhail Gorbachev, General Secretary of the CPSU Central Committee, in July 1986, in Vladivostok concerning the Soviet Union's policy in the Asian Pacific Region. He advanced several proposals and initiatives aimed at curbing the arms race in the APR, the nuclear arms in particular; at ensuring security in the region and adopting some historic peace initiatives. The statement confirmed the Soviet Union's peaceful stand and endeavours spearheaded against the imperialists' arms race. They are aimed at safeguarding peace and security in the APR, preserving and consolidating world peace, preventing thermonuclear war and promoting peaceful relations and cooperation among nations. Mikhail Gorbachev condemned the build-up of nuclear armaments engineered by Washington in South Korea and the setting up of a US-Japan-South Korea military triangle. He also highly appraised the struggle of the Korean people for peace and a peaceful reunification of their country, and expressed full backing for the DPRK's initiative of turning the Korean Peninsula into a nuclear-free zone of peace.

Speaking at the Kremlin on October 24, 1986, at a dinner in honour of President Kim Il Sung, General Secretary of the Central Committee of the WPK, Mikhail Gorbachev noted, among other things, that peace in Korea and its peaceful reunification were inseparably linked with the general struggle against imperialist policies in Asia and the Pacific, with the improvement of the situation in the APR and development of goodneighbourly relations. He reaffirmed the Soviet Union's genuine backing to the Korean people's efforts to reunify their country. Mikhail Gorbachev strongly denounced the aggressive nature of the US-Japan-South Korea triangle, which poses a real threat to many countries and to the cause of peace in general. The Soviet leader's speeches best of all confirm the anti-imperialist, revolutionary and peaceful stand taken by the Soviet people.

By accumulating various types of nuclear armaments in South Korea and elsewhere in the APR, the United States is trying to hold those countries under its control and use them for its aggressive purposes. However, these attempts are in vain. Gone are the days when imperialists, rattling the sabre, held sway over other countries and peoples. Today, the schemes of the US administration seeking to unleash a nuclear war are countered by the intensified anti-war and anti-nuclear struggle.

The joint efforts of the socialist countries, the developing nations and the peaceloving people all over the world will, in the long run, thwart the plans of the imperialist war-mongers. The Asian Pacific Region must become a zone of peace, free from nuclear armaments.

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## ASIAN-PACIFIC STRATEGY OF JAPAN, WASHINGTON COMPARED

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 32-42

[Article by V.N. Bunin, candidate of historical sciences]

The importance of the Asian Pacific Region within the system of international relations has markedly increased in recent years. This is quite understandable. The states of that vast region, occupying nearly a half of our planet, are confronted with innumerable acute problems. This is compounded by the fact that imperialist forces, above all American, are drawing them into military blocs and alliances which dangerously whips up the arms race and militarisation often resulting in military conflicts and political instability.

The US administration undertakes a set of measures in the context of the global anti-Soviet policy to turn the region, where the interests of many big countries closely intertwine, into an arena of political confrontation; into another component of its nuclear strategy directed against the Soviet Union, with Japan playing a key role.

Washington's Asian Pacific strategy includes a broad spectrum of political, economic and military aspects effected through various organisational and practical activities. Foreign observers note that President Reagan, a Californian, began to surround himself with people from the State of California which is washed by the Pacific Ocean. Specifically, Reagan's fellow countryman, Richard Fairbanks, was appointed Roving Ambassador responsible for coordinating US policies in the Asian Pacific Region and developing comprehensive programmes and long-term strategies in the Pacific. In March 1984, another Californian, Michael Armco, was appointed to replace the retired Assistant Secretary of State, Lawrence Eagleburger.<sup>1</sup>

Secretary of State George Shultz expressed confidence that President Reagan, a Californian himself, with his eyes set on the West Pacific coast, shares the opinion once voiced by Theodore Roosevelt that Western history had begun with the Mediterranean epoch, run through the Atlantic period and now enters the Pacific epoch.<sup>2</sup>

Shultz personally helps to enhance the role of the Asian Pacific Region in Washington's long-term plans. Specifically, in July 1984 he participated in an enlarged meeting of foreign ministers of the Association of Southeast Asian Nations (ASEAN), which is assigned a special role in the neoglobalist designs of the US administration. First, the United States regards ASEAN members as possible participants in the Pacific Community. It is clearly intended to set up a structure and mechanism which eventually, as noted in a relevant statement by the Soviet government, could be transformed into a "closed regional grouping, yet another military bloc."<sup>3</sup> Second, Washington tries to use the territories of ASEAN states, alongside Japan and South Korea, as a "US forward line of defence" in the Pacific.

In September 1984, the US National Committee for Pacific Economic Cooperation was set up to control all US political and economic ties with the region. President Reagan attended the inauguration ceremony.

Pursuing far-reaching strategic military objectives, in 1984-1985 Washington undertook a number of major steps under the pretext of consolidating and further developing cooperation with the Pacific

countries. Three forums were held in April 1984: the Seoul Conference, attended by US representatives, which considered expansion of trade; the Bali Conference which discussed, with participation of US delegates, a new round of talks in the region on the General Agreements on Tariffs and Trade (GATT) (the talks were held in autumn 1984); and the Manila Conference of ASEAN Trade Ministers (attended by the special US trade representative William Brock) who discussed the establishment, with Washington's participation, of a "free trade zone" on the territory of ASEAN member-states. A similar meeting was convened in February 1985. Held in June 1984 was a high-level meeting known as "Six + Five" (the six were the ASEAN members and the five being Japan, the United States, Canada, Australia, and New Zealand).<sup>4</sup>

The vigorous activities of US monopolies have increased Washington's trade turnover with the Pacific countries. In 1983, it reached \$136 billion as against the Atlantic Ocean countries' \$110 billion. On 10 August 1985, President Reagan said that rapid progress in the development of the Pacific countries was in the interests of the United States. In the final analysis, he went on to say, the US is also a country within the "Pacific circle". US trade with the Pacific and Southeast Asian countries has already surpassed its trade links with any other region in the world.<sup>5</sup>

Specialists at the Japanese Research Institute for Peace and Security believe, however, that this does not give ground to conclude that the Pacific region has become more important for the United States and that the latter is losing interest in the Western Hemisphere. In my opinion, however, this conclusion does not fully correspond to reality. True, the US military-industrial complex is as interested in the West European theatre of operations as ever. At the same time the Pentagon, the supreme command of the entire US military machine, makes considerable efforts to consolidate its position and expand its military and political influence in the Asian Pacific Region.

Washington does not confine itself to economic measures: it continues to build up its military muscle in the region; it strives to set up regional blocs and alliances in the Far East, and attempts to turn East Asia and the Pacific that washes it into a deployment area for its forward-based nuclear missiles and installations, similar to Western Europe and the adjacent Atlantic region. Such actions by the United States and its allies in the Asian Pacific Region lead to higher tensions and disruption of the existing strategic parity there. They are aimed at attaining military edge over the Soviet Union and at establishing an anti-Soviet, anti-socialist "Eastern front".

A Soviet Government Statement of April 23, 1985 says that "certain political circles in the United States and Japan do not visualise the future of the Asian Pacific Region without confrontation between various countries".<sup>6</sup> To this end, the Pentagon regularly updates its nuclear and conventional weapons there. Below are the main directions of this strategy.

The US 3rd Fleet based in Pearl Harbor (Hawaiian Isls.) is one of the biggest strategic and operational strike navy units. It has 30 nuclear submarines, eight of them belonging to the strategic nuclear force; five aircraft carriers; 72 warships of basic types; 26 landing ships and 32 support vessels.<sup>7</sup> In early May 1986, the Fleet was supplemented with the updated *Midway* aircraft carrier equipped with a modern radio-electronic reconnaissance system and also qualitatively new Ohio-class nuclear submarines carrying 24 Trident C-4 ballistic missiles.

In 1983, the United States deployed a squadron (15 units) of B-52D strategic bombers on the Guam Island, and also a wing of KC-135 tanker aircraft of the Strategic Air Command (SAC). B-52D bombers carrying 12 cruise missiles with nuclear warheads have an operating



range exceeding 12,000 kilometres. So, according to conservative estimates, the US strategic nuclear force in the Pacific includes over 190 ballistic missiles aboard SSBN-carrying submarines which are constantly on duty, plus 180 cruise missiles carried by strategic bombers.

The 7th Fleet's operational zone (headquartered at Yokosuka) extends to a vast area in the Western Pacific (36 million square miles) stretching from the South Pole up to the Soviet Union's Far Eastern border. The Fleet includes 70 warships (with a total displacement of 700,000 tons) including two aircraft carriers and one helicopter carrier, 20 nuclear and diesel submarines, 23 escort ships, six landing and eight support vessels.<sup>8</sup> Two groups of 7th Fleet warships are in the Indian Ocean and in the Gulf region.

Beginning in mid-1983, the 7th Fleet has been armed with Tomahawk cruise missiles with conventional and nuclear warheads. According to Japanese press reports, nearly 1,000 such missiles will be deployed aboard US warships by the late 1980s. Each aircraft carrier, the Fleet's main strike force, carries up to 200 nuclear charges. According to US Defence Department official data, by 1983 the 7th Fleet combined a nuclear force amounting to 1,500 nuclear charges of various capacity. The Tomahawk cruise missiles installed now may bring the figure up to 2,000 by the early 1990s.

Noteworthy is the increasing strength of the 7th Fleet. Following their updating, it was joined by the *Iowa* and *New Jersey* battleships carrying 32 Tomahawk cruise missiles. It is planned to increase the number of warships registered at Sasebo, the biggest US naval base in Japan. One submarine and one landing vessel are there today. In late August 1986, the *New Jersey* battleship entered the Sasebo harbour for the first time, triggering off vigorous public protests in Japan. This year the number of warships there will increase by 300 per cent to three submarines, four landing vessels and one frigate. A landing base is to be built in the Sasebo (Sakibe) region. In March 1985, a battalion (250-300 men) of US Green Berets—part of the Rapid Deployment Force—was quartered on Okinawa.<sup>9</sup> It has been established that when US bombers barbarously raided Libya's peaceful towns in April 1986, all the US bases in Japan were alerted and the RDF was ready for an airlift to the Mediterranean on first signal from the Pentagon.

Washington regards South Korea as an important bridgehead for delivering a first strike. The US troops stationed there have more than 1,000 tactical nuclear charges. Besides, a squadron of F-16 nuclear armed fighter-bombers is deployed there. Preparations are under way to build launching pads for medium-range Pershing-2 missiles and land-based installations for Tomahawk cruise missiles.

As of March 1985, US F-16 fighter-bombers capable of delivering nuclear strikes on Soviet Far-Eastern regions have been arriving at a specially engineered Misawa Air Force base in the north-western part of Japan's Honshu Island. It had been planned to complete the formation of one F-16 squadron (24 planes) there by March 1986.<sup>10</sup> Another squadron of F-16s was to arrive there later. With 72 similar aircraft at South Korean bases, the total number of US nuclear arms carriers deployed near the borders of the USSR and the Democratic People's Republic of Korea will be nearly 100. It is also quite possible that land-based installations for Tomahawk cruise missiles and Pershing-2 medium-range missiles will appear on Japanese soil. In one of its reports, the US Defence Department named Misawa and Sasebo as possible deployment areas. Also mentioned were Shiretoko on the Hokkaido Island and Oga in Akita prefecture.<sup>11</sup> Thus, the Pentagon is actually implementing its strategy of bringing nuclear arms delivery

vehicles as close to Soviet territory as possible so as to enhance its surprise first strike capability.

The United States assigns a key role in its military preparations in the Far East to its closest ally in Asia, imperialist Japan. Out of the 300 US bases and other military facilities in the Pacific, 127 are in Japan.<sup>12</sup> The armed forces of Japan, together with those of South Korea—particularly their land contingents totalling nearly 700,000 men—are bound to beef up the naval power of the US 3rd and 7th Fleets operating in the Pacific.

Of great importance for the preparation and conduct of strategic operations are various detection, tracking and guidance stations based on Japanese territory, which form part of the unified US nuclear force support system, together with those deployed in South Korea, the Philippines, the Palau Island in Micronesia and the Marshall Islands. Specifically, they include LORAN-C stations used by US SSBN submarines to determine their exact location while launching missiles. These may also include three Japan-based US centres for monitoring the underwater situation. These are the SOSUS hydroacoustic reconnaissance systems which provide US submarines with the necessary navigation and intelligence data.

According to the Japanese mass media, their country is enmeshed in a web of various radar facilities installed to monitor the movements of Soviet surface ships and submarines and to transmit information they gather to Pentagon's intelligence.

Depots are being built on the Islands of Hokkaido (near the Misawa air force base), Kyushu, Okinawa and in other regions of the Japanese archipelago. They are intended for storage of US nuclear munitions which can be brought there in violation of the three non-nuclear principles declared by Parliament on 12 February 1968: not to possess, not to produce and not to bring in nuclear weapons. This can be done in the same manner as US nuclear-powered vessels carrying nuclear arms now enter Japanese ports on a regular basis.

The Japanese press reported that, as was uncovered, in April 1984 the US Army Command in Japan requested the Japanese government to allow it to build bases on Hokkaido that would accommodate tanks, armoured personnel carriers and cannons to be used as a forward supply base for the US 25th Infantry Division. At present, the latter is stationed on the Hawaiian islands, but in case the political and military situation in the Far East aggravates, it is to be airlifted to the Japanese islands for joint action with the self-defence force.<sup>13</sup> In May, Japan's Foreign Minister refused this request, yet in November it yielded to pressure from Washington and took a compromise decision allowing the United States to use a large depot complex at Sagami-hara (Kanagawa prefecture). Materiel from South Korea began arriving immediately. Officials from Kasumigaseki<sup>14</sup> tried to explain that the complex was being used to temporarily dislocate US armoured vehicles, but the fact that American weapons intended for aggressive purposes were being stockpiled in immediate proximity to the capital caused anxiety among the Japanese public, which justifiably believed that Washington was involving their country ever deeper in its adventurist designs.

The results of the 16th Working-Level Session of Japan-US Security Subcommittee held in Honolulu from 16 to 18 January 1986, showed that Japan had undertaken to install a 4,000-kilometre-range radar on one of the islands of the Ryukyu archipelago, pointing to the most suitable ones—Iejima, Magejima and Kitaijima—near the Okinawa Islands.<sup>15</sup> Japan's National Defence Agency was allocated 35 billion yen to build the radar.<sup>16</sup> This project, according to the Defence Agency, has been given priority in Japan's military programme for 1986-1990.

The Japanese radar will be included in the unified system of US surveillance radars, two of which will be installed in the West Pacific on the Amchitka Islands (Aleutian Islands) and Guam; 12 others will be located on the US West Coast. According to the National Defence Agency, the Ryukyu radar will conduct round-the-clock surveillance of the Soviet Air Force and naval bases near Vladivostok and transmit intercepted information to the Pentagon.

The United States attaches great importance to the Asian Pacific Region and the role played there by Japan, its reliable military ally in Asia. This is borne out by the following developments: the 16th Working-Level Session of Japan-US Security Subcommittee at Honolulu; the report of the US Secretary of Defense, Caspar Weinberger, to the Senate Armed Forces Committee on 5 February 1986; Weinberger's visit (from 3 to 6 April) to Japan during his extended tour of the Far East, Southeast Asia and Australia; the April talks between Prime Minister Yasuhiro Nakasone and US officials in Washington; and, finally, the 12th Tokyo Big Seven meeting in May.

Richard Armitage, US Assistant Secretary of Defense, who headed the American delegation at the Honolulu talks, said that Japan was a lock on the bear's cage blocking the Soviet Union's access to the Pacific.<sup>17</sup> He believes that if Japan fulfils the current five-year programme (1986-1990) for the development of its Self-Defence Force (started on 1 April, 1986), then by the end of the 1980s, it will be able to ensure dependable control over Soviet Pacific Fleet ships going through the La Perouse, Tsugaru and Korean international straits. It is reported that the Pentagon had entrusted Japan's Navy and Air Force with the task of "closing", i. e., mining, jointly with US forces, these straits to block the Soviet Union from the seaside and ensure both the air defence of the Japanese archipelago and the combat patrol of the sea and air space 1,000 nautical miles off Japanese shores.

Presenting his report on the US military budget for fiscal 1987 at Capitol Hill, Caspar Weinberger said that the Yamato country<sup>18</sup> in Asia and the NATO members in Europe played the role of "geographic and ideological barriers" holding the USSR. This is why, the US Defense Secretary believes, the US-Japan military alliance should be viewed as NATO's outpost in the Far East. In his opinion, this alliance is a model of US bloc policies.<sup>19</sup>

During his April 1986 stay in Japan, the top-ranking official from Washington was honoured with an invitation to a specially organised drill of the 7th Armoured Division on Hokkaido. The division's exercise involved "breaking through the enemy's fortified defences", an offensive operation clearly contradicting the Japanese concept of "exclusive defence". The participation of Japan's only armoured division equipped with 240 modern "74"-series medium tanks in provocative war games in immediate proximity to the Soviet border shows that practical deeds in Japan clearly do not tally with the government's peace rhetoric.

According to Japanese press reports, the National Defence Agency has begun drafting a long-term programme for building up the Self-Defence Force over the period ending in the year 2000. The programme seeks primarily to beef up the "north direction" troops stationed on Hokkaido and in the north-eastern part of Honshu. It is planned to increase the land forces there to 80,000 men. In an "emergency situation", another 30,000 troops will be transferred to Hokkaido. These plans, dovetailed to Pentagon's strategy, fully coincide with a scenario for the armed seizure of the "northern territories" (i. e., the southern part of the Soviet Kuril Islands), worked out by officials at the National Defence Agency and published in the July issue of the *Gunji kenkyu* magazine (Military Review). The sponsors of this revenge-seeking scheme plan to

set up a 30,000-strong strike corps on Hokkaido for a surprise landing on the Kurils.<sup>20</sup>

It is hardly a mere coincidence that a series of anti-Soviet articles under the common caption *Return the Northern Territories!* appeared simultaneously with press "leakages" about plans to build up a military muscle in the north of Japan.

During his talks in Tokyo, the chief of the US Defense Department insisted on stepping up Japan's efforts to build up its military potential. Military experts believe that it should be 200 or even 300 per cent more than the present strength of the Self-Defence Force numbering some 250,000 men. Weinberger pressed his Japanese colleagues to resolve as quickly as possible, the problem of building a reserve airfield for the US naval Air Force based at Atsugi, the heart of Japan's densely populated megapolis. The townsfolk have for long been protesting against the night exercises of US carrier-borne aircraft making take-offs and landings after dark. The deafening roar of US supersonic jets exercising in blind landings in extremely poor visibility conditions drive the population of the nearby towns to despair. The "whims" of the US Command deprive them of night sleep after a hard day's work. Angry popular protests compelled the Japanese government to make a compromise decision. The National Defence Agency proposed that a reserve airfield be built on the Miyakejima island, 150 kilometres south of Tokyo. But in January 1984 the local village council adopted a protest resolution, and the matter remains unresolved to this day.<sup>21</sup>

At the Tokyo talks, Weinberger urged Japan to increase its financial contribution to the upkeep of American bases in Japan, supported the ambitions of the Japanese ruling quarters claiming a bigger role in ensuring regional security, seeking a wider use of the Self-Defence Force in joint Japanese-American combat patrol missions in the 1,000-mile ocean zone and a blockade of international straits, as a component of Washington's Asia-Pacific strategy. The Pentagon believes that the main function of the armed forces of its Far Eastern ally is direct participation in US military adventures in the Asian Pacific Region.

This is borne out by the following facts: in December 1985, Japan and the United States signed an agreement on a Draft Plan of Joint Military Operations in an emergency situation, i. e., in case of a military conflict in the Far East. In January 1986, the sides agreed to complete, by summer or the end of the year, a joint study of the problem of "safeguarding" sealanes, started in 1983. In his article published in the January issue of the US *Navy Bulletin*, the Chief of Naval Operations, Admiral James Watkins, wrote with reference to the joint US-Japanese "safeguarding" of international sealanes that, in case of a military conflict anywhere in the Far East, the United States will deliver a nuclear strike at Soviet submarines in the Sea of Okhotsk.

This statement prompted Japanese political analysts to arrive at a logical conclusion that the Pacific Ocean, the Sea of Okhotsk and the Sea of Japan may well become the Pentagon's main naval theatres of nuclear operations, inevitably involving Japan, too. Moreover, the 1,000-mile "sealane safeguard zone" is not confined to the Southern Hemisphere from the borders of Japan to Guam and the Philippines, but extends automatically to the north to include the Sea of Okhotsk.<sup>22</sup>

As regards the so-called 1,000-mile zone per se, it no longer limits the operational zone of the Self-Defence Force. In early 1986, in his reply to a Parliament inquiry, Premier Nakasone said that, if need be, Japanese warships would escort US aircraft carriers even to the American coast. In May 1986 Japan took part, for the fourth time, in the RIMPAC-86 multilateral exercises held regularly in the centre of the Pacific—some 4-4.5 thousand miles away from the Japanese Islands. As of 1970, four

Pacific countries (the United States and Canada in the north-eastern part of the Ocean and Australia and New Zealand in the south-western part), which form a rim around the Pacific have every other year been conducting naval exercises known as the Rim of Pacific Exercises, or RIMPAC. In 1980, the group was joined by Japan. Two Japanese destroyers, eight anti-submarine aircraft and 700 sailors, officers and men took part in the RIMPAC-80 exercises conducted from 26 February to 18 March. Subsequently, Japan's participation in these naval war games has become regular.<sup>23</sup>

Formerly, the Self-Defence Force conducted war games jointly with the United States alone, being bound to it by a Security Treaty. This is why the democratic public and opposition in Japan interpreted that action as involving the Japanese army in the "collective defence" system outlawed by the Constitution. In a bid to uphold the right of the Self-Defence Force to participate in multilateral exercises, the National Defence Agency interpreted them as agreeable with the demands of "exclusive defence". This concept gives legal ground for any action by the Japanese army in a vast region far beyond Japan's own borders and justifies such actions by "self-defence" interests.<sup>24</sup>

In late April 1986, the 1st Escort Flotilla of the Japanese Navy composed of the *Shirane* helicopter carrier (5,200 tons displacement), six destroyers, one submarine and eight P-3C anti-submarine patrol aircraft left Yokosuka, the Japanese naval base, and headed for the Hawaiian Islands to take part (for the fourth time) in RIMPAC-86 manoeuvres which lasted from May 15 to June 29. That time, however, the participants were not exactly the same. New Zealand, a member of ANZUS (Australia, New Zealand, and the United States), was not invited by the US because its government had resolutely refused to allow US nuclear-powered warships carrying nuclear weapons to enter New Zealand's ports. Now its place was "deservingly" filled in by Britain which also demonstrates its loyalty to US neoglobalist ambitions in the Pacific. It was British territory which was used, with Margaret Thatcher's permission, by US bombers for the piratic raids against Libya in spring 1986. Four years earlier, in March-June 1982, Britain's naval task force landed troops on the Falklands (Malvinas) belonging to Argentina, using aircraft carriers, nuclear submarines, modern warplanes and also intelligence data supplied by US spy satellites. The experience gained by the British fleet in landing large troop contingents was fully used during the RIMPAC-86 manoeuvres, because the participants also practised the landing of "blue" detachments (Britain, Canada, and Japan) on islands in the Pacific captured, according to the scenario, by "red" troops.

During his talks in Tokyo, Weinberger tried to convince the Japanese government (which, incidentally, was one of the first to back Reagan's SDI programme) to follow the West German example and agree officially to participate in the US Star Wars programme. In April 1986, Tokyo sent a third delegation of prominent experts to Washington. Apart from high-ranking government officials, the delegation included 20 representatives of big Japanese concerns supplying high technology to the Pentagon. Following their visit to America, the Japanese specialists came to the conclusion that Japan should take part in the US research programme meant to develop a "space shield" or, to put it differently, to transfer the arms race into outer space. Japan's military-industrial circles are attracted by prospects of big profits from American "special orders". This is why even if no decision is made at governmental level, taking into account the opposition of the Japanese democratic public, cooperation within the SDI programme will be effected through private corporations. In fact, this cooperation is already in progress. As soon as the American space programme was announced, Japan began supplying the

Pentagon with components necessary to develop Star Wars projects. That was done in keeping with an agreement signed in November 1983. In order to neutralise anti-American sentiments amidst the Japanese people, who are worried by the involvement of their country in the dangerous plans to deploy nuclear weapons in outer space, Washington proposed the establishment in the Far East of a Regional Defence Initiative (RDI) with the participation of Tokyo and Seoul which would allegedly engage in space R & D to ensure their own security.

Whatever disguise the Pentagon chooses to cover up its sinister plans, their essence remains the same—using Japan's huge scientific potential will result in its involvement in the US global system of space militarisation; it signifies a new, more dangerous turn in the nuclear arms race and seriously aggravates the international situation.

The US Defence Secretary characterised military cooperation between Washington and Tokyo, which is based on the 1960 Security Treaty and the 1978 Guidelines for Japan-US Defence Cooperation as "favourable". The two countries are now going through a period of irreconcilable trade contradictions which have materialised in a huge US trade deficit totalling \$60 billion in 1980. This notwithstanding, the US administration has taken a conciliatory stance vis-à-vis Japan, seeking some "compensation" in the military sphere. The United States and Japan have some important common interests which eclipse Washington's dissatisfaction with the "slow" (by the Pentagon standards) increase of Japan's military potential. President Reagan views Premier Nakasone as a leader who "can be trusted", a man who sets the pitch in the chorus of the Big Seven which meet annually to "decide the fate of the world". Nakasone was the first to express "sympathy" with the US aggressive actions against Libya. Thanks to Nakasone, Japan has markedly stepped up its foreign policy activities to the liking of Washington and now assumes ever increasing responsibility for regional and global developments.

US-Japanese governmental contacts have substantially increased in recent years. In 1983 alone, Secretary of State Shultz met his Japanese counterpart nine times.<sup>25</sup> Subjects raised at such bilateral consultations are not confined to the Security Treaty or economic and trade problems; they now involve more important issues, such as spheres of cooperation in international politics. Specifically, the agenda of the 1984 talks included the following: the situation on the Korean Peninsula, the state of Soviet-Chinese relations, the Kampuchean problem, the deployment of medium-range nuclear missiles, the situation in the Middle East, etc. In January 1985, the sides discussed Pacific cooperation, Japan's attitude to SDI and "strategic" aid to developing countries.

According to the Japanese press, the two countries' top defence officials met, as a rule, in a "friendly atmosphere". Yet the Pentagon chief and his representatives were reported to have continued, albeit in a more delicate form, to persist in "hooking up" Tokyo to Washington's war machine. US Defense Department officials have somewhat changed their tactics: by way of recommendations and "friendly" counsel they have begun to involve themselves more deeply in the development of the Self-Defence Force. Emphasising, sometimes in official documents, the little combat experience of the Japanese army, the Pentagon has begun to show concern for substantial raising of Japan's combat capability. At present, the Japanese land forces have service ammunition enough only for three days of combat. Richard Armitage, US Assistant Secretary of Defense, advised that officials of the National Defence Agency should take measures to increase ammunition arsenals so as to be capable of conducting a three-month-long warfare.

The Washington patrons pay considerable attention to expanding the

time of autonomous operations by the Self-Defence Force, especially its naval units, in the high seas. To this end, they recommend that depot ships be built to ensure the operational capability of ships on combat duty. Pentagon instructors explain to their Japanese partners that "enemy" submarine detection and control in the high seas are not only costly, but also extremely difficult. This is why they recommend that Japan concentrate its efforts on raising the efficiency of the sea straits blockade, which will make it possible for Japan to have a "low-cost" deterrence force capable of putting up a dependable barrier to the Soviet Navy.<sup>26</sup>

Such instructions are backed up with practical measures. The US army headquarters in Japan actively involves the Self-Defence Force in various manoeuvres and exercises intended, in particular, to train it in the mining of straits, screen US nuclear-powered aircraft carriers, conduct anti-submarine operations and organise air defence.

The following example shows how intensive and varied these war games were. In February 1984, Japanese and US naval units conducted joint manoeuvres in mine-sweeping in the Inland Sea involving 27 Japanese ships and 10 patrol aircraft and two US instructor planes. In spring, an anti-submarine exercise was conducted along the coast of Honshu; it involved eight vessels of the Self-Defence Force, four US Navy units, and also US and Japanese naval aircraft. In the course of the exercise, a Self-Defence Force tanker fuelled a US warship in the high seas for the first time.

In July, joint manoeuvres were held in mine-sweeping in the Mutsu Bay. Japan was represented by 27 warships and 19 patrol aircraft, while the United States dispatched nine naval airplanes. In September, the US *Midway* aircraft carrier and six other warships participated in the Japanese Navy's annual manoeuvres. They engaged in air defence jointly with USAF. The combat capabilities of E-2C early warning airplane put into service in the Japanese Navy were flight-tested for the first time during the drill. Simultaneously, joint manoeuvres conducted by the two sides' land forces at the Iwate mountain involved 1,600 Self-Defence Force soldiers and 600 US infantrymen. In October, 230 Japanese land troops and 50 US marines held a joint drill, shooting combat artillery shells on the island of Hokkaido.

In November, Japanese naval units comprising 15 warships and several aircraft carried out, jointly with seven US vessels and USAF airplanes, anti-submarine exercises supported by an American aircraft-carrier which, simultaneously, participated in *Freelax-84* manoeuvres of the US Fleet.<sup>27</sup>

According to conservative estimates, in 1985 there were 20 joint US-Japanese manoeuvres aimed at improving interaction between various armed services in combat. The US military command believes that the Self-Defence Force's weak point is in its command's inability to coordinate operations with US troops. This is why this problem is given prominence in various war games.

According to US estimates, the problem of bases is the tightest bottleneck in Japan's "defence capabilities". In Pentagon's view, the existing bases do not ensure effective air defence, do not have safe covers and underground shelters for aircraft and other military hardware. Finally, the social aspect of the problem is becoming increasingly important. The fact is that the first half of the 1980s saw a marked increase in the popular movement for the liquidation of military bases, especially among local residents. The Japanese press notes that no money compensation helps solve the problem. Atsugi's population, for example, has succeeded in reducing the number of supersonic jet flights

to a minimum, though the issue of closing down the local naval aviation base has not yet been resolved despite protracted debates.

The problem of building an apartment condominium for the families of US servicemen near the former depot at the resort town of Zushi (Kanagawa prefecture) has been delayed for a long time. In July 1982, Zushi's mayor allowed the construction following a notification from the National Defence Agency. But he did so without consulting the townsfolk. As a result of public protest, the mayor retired and his job was taken by an opposition representative who acted against the construction. Despite government pressure, the problem is still unresolved. Local residents are against presence of US servicemen in Zushi.

The problem of US bases is rather acute not only in Japan, but in other countries as well. The sword of Damocles has for years been hanging over the two major US bases in the Philippines—the Clark Field air base and the Subic Bay naval base. Despite frenzied efforts on the part of the US administration, their fate will be decided by a popular referendum which is expected to be in favour of their liquidation. Anticipating this eventuality, the United States has leased 18,000 acres of land on the Islands of Saipan and Tinian (North Mariana Isls.) to build a reserve airfield and naval port facilities.

Thus, following a usual stereotype, Washington is trying to resolve the acute contradictions in the Pacific and the Asian Pacific Region at large by resorting to standard power politics. This only leads to higher tensions, more active US military presence, construction of new bases, formation of blocs, alliances, all manner of "axes" and "military triangles" as well as closed military groupings which are far from stabilising the situation in the region and easing tension.

The only acceptable alternative to the US global nuclear arms race and military preparations in the Asian Pacific Region is the constructive Soviet proposals contained in Mikhail Gorbachev's 28 July 1986 speech in Vladivostok and 18 August 1986 televised announcement of the prolongation by the Soviet Union of its unilateral moratorium on nuclear weapons testing until 1 January 1987.

Urging all countries in the Asian Pacific Region to cooperate for peace, the Soviet leader advanced a large-scale comprehensive programme for ensuring Asian security involving the Asian Pacific Region in the general process of establishing a comprehensive system of international security and a peaceful settlement of regional conflicts.

The USSR stands resolutely for a solid barrier to the proliferation and stockpiling of nuclear weapons in Asia and the Pacific. It favours talks on curtailing naval activities, and discussing confidence-building measures and non-use of force in the region. The Soviet Union has proposed that armed forces and conventional weapons in Asia be reduced to a reasonably sufficient level.<sup>28</sup>

There are numerous obstacles which have to be surmounted to normalise the political and military situation in the Asian Pacific Region. Above all, it must be prevented from turning into an arena of power confrontation. For all differences in political systems, ideologies and world outlooks, the peoples of the region are bound together by common vital interests and problems which cannot be solved individually. A complex of collective measures is required to liquidate nuclear and chemical weapons by the end of this century. These combined efforts would create conditions favourable for further progress in mutually beneficial cooperation. The Soviet Union has expressed its readiness to take an active part in such peaceful regional cooperation and utilisation for this purpose of the economic, scientific and technological potential of all nations in the Asian Pacific Region.



Two opposite trends are clearly discernible in the region: the US ruling quarters seek to turn the Asian Pacific Region into a kind of "NAFO's flank" which would include Japan, South Korea and Washington's other military allies into another, "Eastern front" of nuclear confrontation with the USSR; the Soviet Union offers a different, more reasonable opportunity, viz., to make the Pacific a zone of good-neighbourliness and cooperation which would unite, rather than separate peoples. The latter trend is bound to triumph because it is supported by peace forces not only in the region, but also throughout the world. Elaboration of a concept of Asian security, which would include renunciation of outside support for anti-government and terrorist armed groups, peaceful settlement of conflicts on the basis of the five principles of peaceful coexistence and implementation of the Soviet nuclear disarmament programme, is a long-term objective. It can be achieved stage by stage, by moving from the simple to more complex issues, by joining efforts of all countries concerned in the Asian Pacific Region.

#### NOTES:

- <sup>1</sup> *Asian Security* 1985, Tokyo, 1985, p. 23.
- <sup>2</sup> *Department of State Bulletin*, April 1985, p. 13.
- <sup>3</sup> *Pravda*, April 24, 1986.
- <sup>4</sup> *Asian Security*, 1985, p. 3.
- <sup>5</sup> *Department of State Bulletin*, April 1985, p. 8.
- <sup>6</sup> *Pravda*, April 24, 1986.
- <sup>7</sup> *Military Balance. 1985-1986*, London, 1985, pp. 6, 11.
- <sup>8</sup> *Military Balance. 1985-1986*, p. 14; *Boei hando bukku 1985 (1985 Defence Reference Book)*, Tokyo, 1985, p. 261 (in Japanese).
- <sup>9</sup> *Asian Security*, 1985, p. 36.
- <sup>10</sup> *Military Balance. 1985-1986*, p. 14.
- <sup>11</sup> *World Economy and International Relations*, 1985, No. 10, p. 24 (in Russian).
- <sup>12</sup> *Boei hando bukku 1985*, p. 255.
- <sup>13</sup> *Asian Security*, 1985, p. 35.
- <sup>14</sup> Tokyo's government district where the Foreign Ministry is located.
- <sup>15</sup> *Akahata*, Jan. 18, 1986.
- <sup>16</sup> *Ibidem*.
- <sup>17</sup> *Akahata*, Feb. 6, 1986.
- <sup>18</sup> Japan's old name.
- <sup>19</sup> *Akahata*, Feb. 9, 1986.
- <sup>20</sup> *Gunji kenkyu*, 1986, No. 7, pp. 24-49.
- <sup>21</sup> *Asian Security*, 1985, p. 34.
- <sup>22</sup> *Akahata*, Feb. 9, 1986.
- <sup>23</sup> *Asahi Evening News*, Dec. 3, 12, 24, 1979.
- <sup>24</sup> *The Armed Forces of Japan. History and Modern Times*, Moscow, 1985, p. 171 (in Russian).
- <sup>25</sup> *Asian Security*, 1985, p. 29.
- <sup>26</sup> *Asian Security*, 1985, p. 34.
- <sup>27</sup> *Asian Security*, 1985, p. 36.
- <sup>28</sup> *Pravda*, July 29, 1986.

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## JAPAN'S ECONOMIC POLICY TOWARDS CHINA

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 43-48

[Article by M.I. Krupyanko, candidate of economic sciences]

The 1980s have seen a dynamic development of Sino-Japanese trade and economic relations which determine, to a large extent, the entire complex of relationships between the two countries. The annual volume of their bilateral trade reached approximately \$19 billion by the mid-1980s, as against a mere 3.7 billion some ten years before. In 1985, China became Japan's second largest partner (after the United States) in terms of export and the sixth largest in terms of import. A five-fold growth in trade turnover within one decade was stipulated, to a large extent, by the expansion of Japanese exports to China; between 1984 and 1985 alone, they rose by 72.9 per cent.<sup>1</sup> In 1983-1984, the supplies of Japanese-made trucks and buses grew more than 5.5 times (from 3,700 to 20,600), cars—11.2 times (from 8,200 to 71,700), and colour TV sets—4.2 times (from 573,400 to 2.4 million). More than one-half of Japanese imports from China were made up of energy carriers and food.<sup>2</sup> After a few years of fence-straddling, Japanese investors began to make long-term capital investments on the Chinese market. In late 1984 there were 66 joint Sino-Japanese ventures in China, whereas five years before the figure had been ten at the most. In 1983-1984 alone, the volume of direct Japanese investments in China grew from \$3 to \$11 million.<sup>3</sup> Contacts in science and technology are making good progress. Japan is contributing more and more substantially to the training of Chinese specialists at higher and specialised secondary educational establishments. China is also getting assistance in the modernisation and retooling of many industries.

A natural question arises how Japan succeeded within such a short time—from the signing of a Sino-Japanese trade treaty in 1974 to the mid-1980s—not only to achieve discernible progress in broadening trade, economic, scientific and technological contacts with China, pulling far ahead of its rivals from the US and West European countries, but also, what is more important, in becoming China's privileged partner, the only one among the leading Western industrial powers. In 1984, Japan accounted for more than 46 per cent of the OECD countries' exports to China and 47 per cent of their imports, that is, about as much as all the other industrialised capitalist countries put together.

The question is all the more relevant since in the late 1960s and early 1970s quite a few pessimistic forecasts were made in many countries, including Japan itself, concerning an inevitable and dragged-out conflict between Japan and China over a number of serious contradictions. At that time differences between the socio-economic systems of the two countries, rivalry for economic influence in Asia, divergent strategic interests, the problem of Taiwan and relevant serious opposition in certain influential quarters in Japan to a policy of expanding trade and economic contacts with China at the expense of relations with Taiwan, were mentioned among those contradictions. Finally, it was hard to presume even in the early 1970s that the Chinese leadership will agree to at least one Japanese loan on easy terms or accept "free" aid from Japan, that China

would invite Japanese specialists as economic advisers or seek so insistently Japanese capital to launch joint ventures in industry and the services. It is beyond doubt today, however, that China itself is initiating Japan's broad participation in its economy and perseveringly seeking more technological and financial aid from Tokyo.

Looking into the reasons behind the perceptible rapprochement between the two countries in trade and the economy, one is tempted to explain them by such factors as geographic proximity, the mutually complementary character of trading patterns and certain similarities of cultural traditions. Without underestimating their importance, we should note, however, that such a conventional approach to the analysis of Sino-Japanese economic relations can no longer satisfy the students of this problem because it does not clarify the entire complex of relevant reasons and latent factors determining Japan's economic policy towards China.

Moreover, one can hardly agree with the prevailing viewpoint that China's "open-door" policy, aimed at encouraging contacts with the leading industrial powers of the capitalist world, plays the decisive role in encouraging Japanese-Chinese trade. It would be wrong to underestimate that factor, too, because the growing Chinese economy really demands an ever larger inflow of advanced technology and processes. However, if we look upon Japan as China's passive partner, we will disregard or underestimate the potentialities of Japan's active economic diplomacy. Japan has considerable experience in this field which is actually seen from the results of its economic policy towards China.

An analysis of the strategy of Japanese monopoly capital in penetrating the Chinese market makes it possible to identify a number of aspects which are characteristic of Japan's economic policy today. One of them is the use of the potentialities of "private diplomacy", which proved quite efficient at a time when Japan and China had no official relations in the 1950s and 1960s but which lost none of its importance in the 1980s, after normalisation of relations between the two countries. "Private diplomacy", i. e., the utilisation of contacts with private Japanese companies helped, back in the 1950s and the 1960s, to develop a ramified web of close personal contacts between Japanese businessmen, on the one hand, and Chinese officials, on the other. The Japanese were always pursuing consistently and purposefully the main line of their government towards China, that of "separating the economy from politics", expanding trade on the basis of private commercial agreements and intensifying commercial operations through "friendly firms". At that time Japan was sending to China on a private basis not only numerous business delegations, but also official envoys whose task was, among other things, to create during their contacts and talks with Chinese officials a favourable climate for the next phases of the development of Japanese-Chinese relations and for increasing the role of the "Chinese factor" in Japan's foreign policy.

It is worthwhile mentioning that, at a time when Japan and China had no official relations, "private diplomacy" not only helped develop a new climate for the growth of Japan's contacts with the Chinese public but also facilitated the creation of such a climate in Japan itself, where at that time many influential politicians and leading businessmen were opposed to the growth of Sino-Japanese relations. One success of the "private diplomacy" was, for instance, the establishment in December 1970 of a parliamentary league, which included representatives of all the political parties in Japan, to promote the restoration of Japanese-Chinese relations. Symptomatically enough, the non-partisan organisation paved the way to the link up of some members of the Liberal-Democratic parliamentary faction with opposition deputies to counter the "hawks" in parliament who stood on patently anti-Chinese positions.

Undoubtedly, one of the strong points in Japanese economic diplomacy

on private level is the fact that it gives companies a free hand in regulating the scope of trade and operating in accordance with fickle circumstances rather than bind them with rigid obligations. That was why even when the Chinese went back on contracts and refused to buy Japanese equipment for major cooperation projects in the late 1970s and early 1980s, the basis of bilateral relations was not badly affected. At that time private capital, enjoying the financial backing of the Japanese government, found solutions to many complex problems and retained its positions on the Chinese market. It would have been far more difficult to achieve such results through official channels alone because in that case state-to-state relations would have had to be sharply aggravated. Meanwhile, the possibilities of "private diplomacy", especially the channels of Japan's all-purpose commercial companies ("sogo sesha") with their freedom of manoeuvre in shaping up their export lists and formulating delivery terms, often made it possible to alleviate substantially for both sides the adverse consequences of complications which arose every now and then.

A well-developed system of private contacts, built through "private diplomacy" during the 1950s and 1960s, enables Japanese businessmen even today to quickly adapt themselves to the stringent demands of the Chinese market and to ease frictions arising from differences between the two socio-economic systems. The fact is that Japanese industrial and commercial firms conduct their operations in China under terms which are strictly regimented by the Chinese authorities. As a consequence, they are sometimes denied mobility and freedom of manoeuvre to which they are accustomed. To alleviate the impact of that objective factor, Japanese businessmen actively resort to personal contacts in Chinese offices, which helps them speed up paper work, get access to information and materials, expedite talks, etc.

All this does not mean, however, that "private diplomacy" as a forte of Japan's economic strategy towards China has no bottlenecks. One of the main drawbacks of that practice seems to be a certain weakening of the positions of Japanese firms because China uses extensively the weakness of the mechanism of competitive struggle between firms, exerting strong pressure on the Japanese and securing substantial concessions in talks.

Japan has always built its economic diplomacy towards China with due regard for possibilities to manipulate and use different methods depending on the strategic and tactical tasks tackled by the Japanese monopolistic forces on the Chinese market at any given time. During the 1950s and 1960s Japanese businessmen used "private diplomacy" primarily to accomplish the strategic task of gaining a foothold in China. In the 1970s and 1980s, an important role has been assigned to another aspect of Japan's economic strategy towards China which has come to be known as a policy of concessions. With its help the monopolistic forces hoped to substantially intensify their trade and economic operations in China and to win the competition with US and Common Market monopolies for the Chinese market.

The argument that Japan should expiate its guilt to the Chinese people for the damage caused by Japanese militarism during the Second World War was an ideological justification of the policy of concessions to China. As a Japanese businessman told an American newsman, "Well, you know what we did here during the war. So now we should keep a low profile in China."<sup>4</sup> His view reflected the widespread belief of Japanese businessmen that they should reconcile themselves to inevitable losses in trade with the Chinese.

Clearly, the use of this policy of concessions—calculated concessions for that matter—in commercial relations with China is yielding far lar-

ger profits for Japanese capital than arms-twisting or pressure could. The Japanese employing this tactic secured on many occasions substantial advantage in talks with Chinese officials. One example was the talks on a major agreement to ensure Japanese assistance in the construction of the Baoshan steelworks. The Japanese met most of the Chinese demands as regards the construction site and schedules, crediting, the leading contractor, etc., while reserving the right of technical supervision—from the drafting of specifications to the commissioning of the project. The situation was much the same with the resumption of the supplies of Japanese equipment for major projects, when Chinese leaders attempted to cancel many earlier agreements. Japan made concessions to China and extended additional credits to complete the construction project. Meanwhile, Japanese monopoly capital got what it wanted most—the leading role in those projects and, therefore, continued exports of equipment worth billions of dollars.

The policy of gradual "bridge-building" also is an indubitable success of Japanese monopoly capital in the penetration of the Chinese market. This policy is aimed at achieving tactical goals, including preparations of the ground for successful talks in specific areas of economic cooperation, the marketing of individual batches of commodities in China, the launching of new products, etc.

That policy has several phases. First, Japanese firms try to send to China as many delegations of specialists, managers and businessmen as possible. This is needed to establish contacts with interested Chinese organisations, which later act as vehicles of sorts of the interests of Japanese firms in talks. The Japanese, for their part, invite their Chinese counterparts to Japan and introduce them to the latest achievements of science and technology in the projected area of cooperation. During the second phase, Japan sends to China small teams of specialists to draw up documents, reach an agreement with the Chinese authorities as regards their demands and wishes on future project and discuss possible construction schedules. Japanese firms then invite Chinese specialists to study the operation of the equipment which China intends to buy for the given project. At the last phase, Japanese firms offer their Chinese partners to sign an official agreement. The policy of "bridge-building", therefore, presupposes the gradual involvement of Chinese partners in economic contacts with Japanese firms, which also facilitates the penetration of the Chinese market.

The fostering of a favourable attitude towards China among Japanese businessmen also contributed substantially to the success of Japan's economic policy in China. The Japanese government uses the mass media to sustain public interest in China, its economic, scientific, technological and cultural achievements, doing everything possible to prove that China is a dependable partner and illustrating its great potentialities as a market for Japanese goods. Criticism of the Chinese modernisation programme and coverage of the problems faced by Chinese leaders in carrying it through are extremely rare in the Japanese press. Perhaps, the only target of criticism of Japanese journalists is China's "grim past", which is weighing heavily on it today and preventing it from boosting its economic growth rates. Japanese businessmen closely follow the coverage of China, trying to sense governmental policy in that area.

New aspects in the development of commercial and economic relations between Japan and China became more noticeable in the early 1980s.

First, certain circles in Japan began to worry about the emergence of new partners—socialist countries—on the Chinese market. As contradictions in trade and the economy kept growing between China and the leading capitalist powers, the former began to show greater interest in broader contacts with the Soviet Union and East European socialist

countries in the mid-1980s. The Chinese are aware of the benefits the country derives from such contacts. One of them is the advantages of the planned economies of socialist countries, which enables China to fit its trade with them into its own five-year economic development programmes. This factor, which is important for China's foreign economic policy, is absent from its trade with capitalist countries. In addition, China is offered the opportunity to export its goods regularly to the markets of socialist countries without any adversities such as protectionist measures against Chinese exports, which have often been used in recent times by the United States and the EEC countries. Finally, commercial deals with socialist countries, partially on a barter basis, enable China to save hard currency reserves.

A chronic trade imbalance in Japan's favour is the cause of considerable difficulties in Japanese-Chinese relations, and the dimensions of those difficulties are hard to predict today. Japanese exports to China are 50-100 per cent in excess of the sales of Chinese goods to Japan. Both Peking and Tokyo are worried by these tendencies: if they persist in the immediate future, all the achievements of Japanese economic policy towards China may be lost because the latter will merely have no money to pay for growing Japanese imports. That is why Japan takes care to boost China's export potential, in particular its sales of oil and oil products on foreign markets. The Japanese government collaborates with Japanese oil refineries and power companies in drawing up regular plans for the purchase of Chinese oil and coking coal.

Another headache for Japan today is China's overt anti-Japanese sentiments. Their range keeps growing from criticism of the text of Japanese school textbooks to protests against the revival of Japanese militarism. In September 1985, for instance, the Japanese learned about mass anti-Japanese student demonstrations in Peking under the slogans "Down with the Nakasone cabinet", "No to Japanese militarism", etc.<sup>5</sup> Perhaps Japanese businessmen would not have taken them seriously, if China had not used anti-Japanese sentiments to demand that Japan curtail its economic expansion. China usually resorts to such demands to secure additional concessions—but they also increasingly testify to China's protectionist policy, which gives Japan cause for serious concern about the regulation of its exports to China and the expansion of its imports from that country.

At a time when difficulties in trade and economic relations between Japan and China keep growing, special attention is merited, we believe, by the intensified operations of Japanese banks in China which did not show much interest in the Chinese market during the 1970s.

Symptomatically, soon after the Chinese leadership reaffirmed its commitment to the "open door" policy in the foreign economic sphere in 1979, the Bank of Tokyo opened its first office in Peking (1980). In 1985 Japanese city banks had 13 offices, the Long-Term Credit Bank—two and the Trust Bank—four. A total of 43 Japanese banks had their offices in China in the mid-1980s.<sup>6</sup>

As more and more banks opened offices in China, their activities kept growing and the scope of their operations on the Chinese market expanded. Three Japanese banks, Hokkaido Takushoku Ginko, Sanwa Ginko and Toyo Shinyo Ginko, are especially active. Encouraging their diverse operations, the Chinese authorities licensed them to operate throughout the special Shenzhen economic zone and open their offices in the city of Shenzhen. China would like other Japanese banks, which are still showing some hesitation, to follow their example.

Japanese banking circles are concentrating in the following areas in China. First, they collect economic information about the condition of the Chinese economy and pass it over to interested Japanese industrial and

commercial companies. Second, they finance major Sino-Japanese economic ventures in relation to modernisation of Chinese enterprises and expansion of industrial output meant for domestic and foreign markets. Third, they market Chinese government bonds on the Japanese loan market. In 1985, three major Chinese banks freely floated bonds of eight loans in Japan. Japanese banks consider such operations profitable and promising.<sup>7</sup> Fourth, they finance Sino-Japanese ventures in China in which the latter has vested interest. Financed in the main are small and medium-size ventures. Fifth, banks extend credits to China's local industries as well as its enterprises abroad. In 1985 a special fund was established by Chinese and Japanese banks in Shenzhen to aid China's industrial development. It offers credits on favourable terms to small and medium-size enterprises in the Shenzhen special economic zone. However, specialists believe that the fund can rapidly expand in view of the need of many Chinese enterprises for capital.<sup>8</sup>

To sum it all up, there is every indication that Japanese leadership will continue to make every effort in economic diplomacy to ensure that Japan remains China's leading trading partner in the capitalist world. Tokyo is aware that Chinese leaders, thinking highly of Japanese technological and financial contribution to China's economic growth, proceed not only from similarities of the languages and cultures of the two countries, their geographic proximity and the complementary nature of their trade patterns. Today, China views Japan mainly as a country the economy of which, unlike that of the US or the EEC countries, is developing at a more stable pace and, therefore, does not fear any dramatic growth of protectionist measures against Chinese exports. Meanwhile, Peking has already come up against protectionism on the American and West European markets. The Chinese believe that Japan is interested in expanding its imports from China and does not seriously hamper the expansion of Chinese exports either. Under the circumstances, Chinese leaders can hope for increased Japanese technological and financial assistance. Japan, in turn, can count on the growing role of the Chinese factor in its foreign policy.

#### NOTES:

<sup>1</sup> *Asahi Shimbun*, Jan. 17, 1986.

<sup>2</sup> *Tsusho Hakusho*, Kakuron, Tokyo, 1985, pp. 679-681.

<sup>3</sup> *New York Times*, March 19, 1985.

<sup>4</sup> *International Herald Tribune*, Aug. 22, 1985.

<sup>5</sup> *Asahi Shimbun*, Sept. 18, 1985.

<sup>6</sup> *Asiabanking*, December 1985, p. 27.

<sup>7</sup> *Yomiuri Shimbun*, June 9, 1985.

<sup>8</sup> *Asiabanking*, December 1985, p. 28.

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## EFFECTS OF ECONOMIC REFORMS ON CHINESE PUBLIC ORGANIZATIONS

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[Reports by T.V. Lazareva, O.B. Gorodovikova, and T.M. Yemelyanova]

**From the Editors:** The implementation of the economic reform is at present a key domestic policy line in the People's Republic of China. To accomplish the tasks of the reform, the country's leaders have mobilised various socio-political forces, with ever growing attention being paid to public organisations. Below is a description of the part played by the Young Communist League (YCL), the trade unions and women's organisations in the economic reform.

### ACTIVITY OF THE CHINESE YCL AT THE PRESENT STAGE

Youth organisations and especially the YCL have always had an important role to play in China in coping with the tasks facing the country. After the 3rd Plenary Meeting of the CPC Central Committee (12th Convocation) and the 3rd Plenary Meeting of the Chinese YCL Central Committee (11th Convocation) held in December 1984, attention of the youth organisations was drawn to problems pertaining to the economic reform.

A "Resolution on the Full-Scale Development of the Role of the Chinese YCL in Conditions of the Economic Reform" adopted by the 3rd Plenary Meeting of the Chinese YCL CC (11th Convocation) proposed that the entire activity of the YCL should be organised in relation to the economic development and needs of the reform.<sup>1</sup> The All-China Party Conference (1985) which determined the guidelines of the country's economic and political development for 1986-1990 was followed in late November 1985 by the All-China YCL Conference, which outlined the tasks of young people at the new stage.

The YCL Conference pointed out that in the period since 1982 the YCL had livened up its activity in the country after being reoriented to production activity for the sake of "four modernisations", and that qualitatively new forms of YCL activities had been found for China.<sup>2</sup>

The practical participation of YCL organisations in the reform is manifest, at present, in the economic cooperation among YCL committees in different provinces of the country; in the appointment of young people to positions of authority in the economy; the setting up of "centres to promote cadres" and associations of young managers of enterprises in various cities; the establishment within YCL organisations of centres to take into consideration and meet the requirements of young people, including vocational training centres for the unemployed youth, and scientific and technological knowledge exchange centres. Youth enterprises are being set up, which makes it possible to give jobs to the formerly unemployed without turning to the state for financial support. These are, for the most part, small-scale enterprises operating in the services.

The forms of the rural youth's participation in the reform vary from the setting up of specialised youth homesteads, which numbered about 12 million by mid-1985, "model" homesteads, "from the scientific and technological point of view" to the establishment of exclusively youth farms. The latter are organised primarily on the principle of self-reliance and accumulation. The establishment of youth farms rests on the granting of credits to Chinese YCL members and young peasants to start a farm, to



buy the necessary equipment and so on. The credits come from the funds of the YCL organisation or committee. Evening courses at universities of culture and science, production-and-technical knowledge groups, ideological education, information exchange and cultural centres, etc. are being founded on the basis of youth farms.

The practical participation in the reform of the YCL organisations of different levels is also reflected in their bigger role in the so-called "system of responsibility" of directors,<sup>3</sup> in keeping with which YCL committees take part in discussing the problems of promoting young people to positions of responsibility, have their right of vote in distributing housing, come out with wage rise initiatives and so on.<sup>4</sup> To encourage gifted youth, some enterprises set up funds (sometimes exceeding 100,000 yuan)<sup>5</sup> by making deductions from profits in accordance with the resolutions of the Chinese YCL Central Committee and the Ministry of Finance. In part these funds are used on the organisational activities of the YCL committee.

Alongside the appearance of new forms of activity by youth organisations in production, new forms of ideological and educational work come into being, their chief task linked to the economic transformation in the country. The YCL Central Committee has managed to renew and organise the work of the YCL and youth press bodies in almost all the provinces and cities. The system of YCL studies is also being restored. At present the Central School of the Chinese YCL and YCL schools of almost all the provinces have resumed work, and courses have been opened under the Central School to retrain cadre workers. A research institute of youth problems has been set up at the Academy of Social Sciences, and a new educational establishment—the Political Academy of the Chinese Youth—opened in 1985. According to press reports, this is to become a centre where political workers will be trained for departments concerned with the youth; it will also carry out research into youth problems.

Chinese YCL members and young people are confronted with the problem of educating, in the coming five-year period, "new people" who would have lofty ideals, high moral and cultural standards and strictly observe discipline. To become a "new man", according to the First Secretary of the Chinese YCL Central Committee Song Defu, means to "temper oneself consciously" in the course of the reform and the "four modernisations" and to "become a gifted specialist".<sup>6</sup>

Besides citing the successes scored in ideological and educational work, the 1985 conference admitted the existence of some serious shortcomings. It was pointed out, among other things, that some young people still share "bourgeois and feudal views", lead a "rotten way of life", indulge in idle talk and are reluctant to work. Furthermore, the conference materials show that the Chinese YCL has so far failed to work out fairly effective measures to produce a corresponding ideological impact on the minds of a considerable portion of the Chinese young people. For this reason it is planned to set up in the forthcoming five-year period a broad public network for ideological education of young people with due account for the specific features of the various socio-class groups and to find ways of "breaking up the forms obstructing the ideological education by the YCL".<sup>7</sup> Greater attention is to be paid to the young people's cultural and sports leisure activities, the building of youth houses and centres, and also to the problems of education, employment, living conditions, family life and marriage.

The past few years saw a certain shift in youth propaganda from stereotype heroes, like Lei Feng, Zhang Haidi and others, to new heroes—soldiers of the People's Liberation Army of China (PLA) who "had distinguished themselves" serving in the border regions of Southern China. In 1985, exemplary soldiers of the PLA toured the country, giving lectures

on military-patriotic topics. In all, according to data provided by the Propaganda Department of the CPC Central Committee, more than 1,000 lectures were read to more than 5 million listeners.

No doubt, youth organisations have in the past few years discarded, to a certain extent, the usual forms of work and introduced noticeable changes into it. There is a tendency to give to the YCL and other youth organisations greater freedom of action and independence in resolving economic problems and choosing the ways and means of ideological and political work. Another novelty is that YCL organisations now have money as a result of deductions from the premium fund, overwork pay and so on, which they can use to set up youth enterprises and farms, to carry out all sorts of undertakings and encourage activists, which is one of the factors enhancing the authority of the YCL.

In the period from 1985 to 1990 considerable attention will be paid to the YCL organisational and cadre development. The issue has become almost traditional. Turning to history, we will see that already at the 10th Chinese YCL Congress (1978) Hu Qili pointed out that "this question is strategic and has to do not only with intensifying today's work of the YCL but with turning the YCL into the Party's reserve".<sup>8</sup> At that time, however, the question of the YCL being the Party's reserve could not be resolved as the influence of the "cultural revolution" was still being felt: the system of Party guidance of the YCL had been undermined, the YCL leadership had been split, lower-level YCL organisations disobeyed those above them, there was no contact among separate organisations, and so on.

During the 11th Chinese YCL Congress (December 1982) Wang Zhaoguo, the then First Secretary of the Chinese YCL Central Committee, and other delegates said in their speeches that in 1982 they succeeded, if only in part, to bring order into youth organisations. Nevertheless, despite the work carried out in that direction, the Chinese YCL was not fully rehabilitated at the grass-root level at that time. Special concern was voiced about the YCL's work in the countryside, where they had "found organisations on the verge of disintegration" or, in a "paralysed state".<sup>9</sup> Despite the measures taken between 1982 and 1985, which promoted "accelerated YCL organisational development" like, for example, "the broadening of the system of electing YCL cadre workers in the countryside and major townships of the country" and "the implementation of the system of transferring YCL cadre workers and the examination system",<sup>10</sup> the activity of the YCL organisations had so far failed to reach the necessary level in the countryside.

The present-day state of affairs in the Chinese Young Communist League enables its leaders to raise the question of "lifting restrictions on the numerical growth" of the Chinese YCL ranks, which existed in the preceding years. The conference announced, among other things, the growth of the YCL ranks to 52 million, as compared with 48 million at the 10th Congress (1978), the 11th Congress (1982), the 2nd and 3rd Plenary Meetings of the Chinese YCL Central Committee of the 11th Convocation (1983-1984). Furthermore, under discussion is the question of using various forms of work "to speedily set up YCL cells and YCL groups"; to engage, on a large scale, the mass of the YCL members and other young people in YCL activities, and "to open the YCL for all young people who meet the standards laid upon YCL members." At present there is a tendency towards numerical growth of the YCL grass-root organisations, that is, of the YCL cells and groups, and towards setting up YCL cells not only in rural production teams but also in "working units" comprising several peasant homesteads.

In the forthcoming years the YCL ranks are to grow owing to the admittance of rural young people and secondary school students to mem-

bership. The YCL ranks are also expected to grow considerably by admitting young people engaged in the services and at small private enterprises. China has never before seen such a broad involvement of the young people in the YCL activities.

Of no minor importance in the organisational development is also the "construction of the ranks" of YCL cadre workers. As a result of certain effort in this field, the Chinese YCL Rules were augmented, at the 11th Congress, with a proposition that the Chinese YCL was not only "the Party's helper but also its reserve". The Rules also incorporated a new chapter on "YCL cadre workers". The All-China YCL Conference observed that in the past few years the YCL leaders had become an important reserve of the leading cadres of the Party and the state. Between the 11th YCL Congress (December 1982) and the All-China YCL Conference (November 1985) significant changes in personnel took place in the central bodies of authority of that organisation, which had primarily to do with the promotion of its leaders to high Party and government posts. For instance, Wang Zhaoguo was elected First Secretary by the 11th YCL Congress and then appointed Head of the CPC Central Committee Office in May 1984; Hu Qintao, who succeeded him as the First Secretary of the YCL Central Committee, was elected First Secretary of the CPC Committee of the Guizhou province in July 1985; Kayum Baodong, member of the Secretariat of the Chinese YCL Central Committee of the 11th Convocation was elected alternate member of the CPC Central Committee of the 12th Convocation in September 1985; Jia Chunwang, member of the Standing Committee of the YCL Central Committee of the 11th Convocation, became Deputy-Secretary of the Peking CPC City Committee in 1984, was appointed Minister of State Security in 1985 and at present is a member of the CPC Central Committee of the 12th Convocation; Chen Haosu, member of the Secretariat of the Chinese YCL Central Committee of the 11th Convocation, became Deputy Chairman of the people's government in Peking in 1984.

It seems that the Chinese leaders are satisfied with the composition of the leading bodies of the Chinese YCL Central Committee and with their work in pursuing the political course among the Chinese youth. This was confirmed by speeches made by Song Defu and Hao Jianxiu at the All-China YCL Conference. This is true, in our opinion, only of the central YCL bodies of authority. On the whole, however, the level of the political, theoretical and practical training of the YCL cadre workers, numbering some 210,000, it was pointed out at the conference, still remains fairly low, calling for great efforts in this direction.

**T. LAZAREVA**

#### **CHINESE TRADE UNIONS IN CONDITIONS OF THE REFORM**

**T**he main task of Chinese trade unions at present is officially tied by the Chinese leaders to the economic reform in cities. The All-China Trade Unions Federation (ACTUF) with its 80 million members (70 per cent of the total number of the shop-floor and office workers)<sup>11</sup> is called upon "to be most active in implementing the reform", not only to "resolutely support the reform" but "take an active part in it" and "become instrumental" in its implementation.<sup>12</sup> Addressing a celebration meeting devoted to the 60th anniversary of the foundation of the ACTUF, Wang Li, member of the Politburo of the CPC Central Committee and Deputy Premier of the PRC State Council, emphasised that the implementation of the reform was impossible without the active participation of more than 110 million shop-floor and office workers.<sup>13</sup>

At the same time the sessions of the ACTUF leading bodies and conferences held by the Chinese trade unions at both national and provincial

levels in the past two years, show that the search for forms and methods of work of the unions in conditions of the reform in cities is fairly complicated, controversial and not equipollent at various stages.

Analysis of materials and documents of the Chinese trade unions shows that at the beginning of the reform the ACTUF was ill-prepared for the concrete task of work among the shop-floor and office workers set by the Party and the state. After the 10th All-China Trade Unions Congress (October 1983) and up to the 3rd Session of the Presidium of the ACTUF Executive Committee (June 1984) the Chinese trade union leadership, on the one hand, called upon the working people to actively participate in the implementation of the reform and, on the other hand, concentrated its attention on the reorganisation of the trade union structure. A decision on "regulating and developing" the country's 350,000 trade union organisations between 1984 and 1986 passed by the April 1984 All-China Working Conference on the Organisational Activities of the Trade Unions, in fact, postponed for three years the active involvement of the trade unions in tackling economic development tasks.

As the economic reform was gathering momentum systems of production responsibility of the enterprises and their managers were introduced on a larger scale; the practice of distributing wages, bonuses and so on in accordance with work done began to gain currency, and changes were made in the system of employment by expanding the sphere of the application of contracts and by signing individual labour contracts. All these measures directly affected the interests of the broad mass of the working people. In the spring and summer of 1984 the Chinese press carried reports about difficulties in carrying through the reforms. Speaking on May 27, 1984, at a reception of the exemplary workers and trade union members who had attended the 2nd Session of the National People's Congress of the 6th Convocation and the 2nd Session of the People's Political Consultative Council of China of the 6th Convocation, ACTUF Chairman Ni Zhifu said that there were some workers and office employees who "did not understand the importance of the reform, which results in all sorts of ideological problems".<sup>14</sup>

A survey carried out by the ACTUF in the summer of 1984 demonstrated that "different attitudes towards the reform were found in different sections of workers and office employees". The trade union press reported that some were "questioning" the expediency of the reforms and "voiced fear" lest their implementation should lead "to a still wider gap in the living standards of the population because of different incomes". In their opinion, this "runs counter to the advantages of the socialist system".<sup>15</sup>

Furthermore, it was pointed out that some Party organisations had not rid themselves of the influence of "left-wing" ideology and denied the importance of the trade unions and their specific methods of work.<sup>16</sup> Similar views and sentiments, according to *Gongren ribao*, became an ideological obstacle for further implementation of the reform".<sup>17</sup>

The first document to formulate the tasks of the trade unions in conditions of the economic reform in cities was the ACTUF Notification of October 26, 1984. It stated that the trade unions were to rally the workers and office employees and guide them, mobilising them to participate actively in the transformations; helping to introduce the responsibility system at enterprises, intensifying the work of the assemblies of representatives of workers and office employees and promoting stronger democratic management. According to the Notification, trade union activities should include the defence of the "legitimate interests" of the workers and office employees; the nurturing of the feeling of being a "master" of the country; the creation of conditions for developing the working people's initiative, and the advancement of the cultural and professional levels of workers and office employees.<sup>18</sup>

The tasks of the trade unions at the new stage were formalised in the resolutions of the 2nd ACTUF Executive Committee Plenary Meeting of the 10th Convocation (23-27 December, 1984). The Plenary Meeting involved in its work 281 members and alternate members of the ACTUF Executive Committee and also members of the ACTUF auditing commission. Addressing the Plenary Meeting Hao Jianxiu, alternate member of the Secretariat of the CPC Central Committee, stressed the need to focus trade union activities on economic development. The resolution "Fully Showing the Role of Trade Union Organisations in the Reform of the Economic Structure", adopted by the Plenary Meeting, formulated eight fundamental tasks facing Chinese trade unions, namely, to make the implementation of reforms central to all trade union activities; to ensure a conscious attitude of the broad masses of workers and office employees to the economic reform; promote in every way the democratic management of enterprises and "improve" the development of the assemblies of representatives of workers and employees (ARWE); to participate actively in the reform of the system of distribution of public consumption funds and workers' and employees' incomes, to eradicate "wage levelling"; to improve the qualitative composition of the working class; to strengthen the work of grass-root union organisations; given wider contacts with other countries and the economic revival at home, to actively establish trade union organisations at mixed capital enterprises; and to quest intensely for new ways of trade union activities with due account of China's specifics.<sup>19</sup>

An important element of trade union activities in conditions of the reform is the demand to "invigorate" ideological and political work, during which it is necessary not only to propagate the reform and to explain the need for it to the people, "to help workers and office employees to understand problems and the correlation between the interests of the state, the collective and the individual" but also "to eradicate completely the influence of the 'left-wing' ideology".<sup>20</sup>

To organise ideological and political work among workers and employees and to perfect its forms, local conferences were held in 1984 and 1985; societies were formed to examine ideological and political work among workers and employees; a nationwide movement was launched to promote reading,<sup>21</sup> and activists of that movement were given awards at special ceremonies and so on.

The ACTUF leadership paid considerable attention to the slogan "To Inherit and Carry on the Glorious Revolutionary Traditions of the Chinese Working Class". This became especially manifest in the 1985 celebrations of the 60th anniversary of the ACTUF's foundation. The trade unions were assigned the task of "intensifying the patriotic, collectivist, socialist and communist education of workers and employees; fighting any manifestations of factionalism, anarchism, individualism and so on, and defending the interests of the state and the collective".<sup>22</sup>

Nevertheless the measures taken failed to yield the expected results and the ACTUF leadership was forced again to consider the problems of trade union work in conditions of the economic reform in the country.<sup>23</sup>

The 3rd Plenary Meeting of the ACTUF Executive Committee took place from November 9 to 13, 1985. It discussed the need to "enhance the role of the trade unions in the economic, political and social life" of the country in the light of the decisions adopted by the All-China Party Conference, and also passed two resolutions, "To Rally Together and Work to Fulfil the 7th Five-Year Plan" and "On Intensification of Trade Union Work in the Process of Transforming the Urban Economic System". It was emphasised that all the activity of trade union organisations in cities should meet the requirements of the economic reforms. With this aim in view it was recommended to boost the labour competition drive and the

rationalisation movement, to improve the management of enterprises, to promote higher production efficiency and to expand scientific and technological cooperation. The Chinese trade unions had to play "their role" in international economic cooperation and in defending the interests of the Chinese working people. Trade unions "are obliged to take measures" to improve the conditions of life of workers and employees, "to participate" in transforming the social security system, and are recommended to intensify their effort in the field of culture and sports.<sup>24</sup>

The 3rd Plenary Meeting of the ACTUF Executive Committee pointed out that the ideological and political activity of the trade unions "lagged behind the rates of development of the reforms".<sup>25</sup> It singled out the task of "opposing by all possible means anything that obstructs the reforms" and emphasised the "need" to devote special attention to it.<sup>26</sup> Addressing the Plenary Meeting, ACTUF Deputy Chairman Luo Gan stressed that the ideological and political work should at present concentrate on the explanation of the "current situation and political precepts". Proceeding from the fact that efficient educational work of trade union organisations carried out among workers and employees would help fulfil the 7th Five-Year Development Plan, he proposed backing the initiative made by the All-China Conference on ideological education at enterprises (October-November 1985) and undertaking in 1985-1986 a campaign "of bringing up in the spirit of elucidating the present situation and policy".<sup>27</sup>

The ACTUF newspaper *Gongren ribao* wrote about "really existing problems" that "lead some workers and employees to incorrect understanding of today's situation in the country". The aforementioned campaign was to "teach workers and employees the Marxist method of analysis", and "the ability to distinguish the principal from the secondary".<sup>28</sup>

The implementation of the precepts given by the ACTUF Plenary Meeting was considered by a meeting of the All-China Society for the study of the ideological and political work among workers and employees, that took place in Shanghai in December 1985. The Society's Chairman Gu Dachun (he was ACTUF Deputy Chairman prior to the 3rd Plenary Meeting) spoke of the work carried out since the Society's foundation in January 1983. As of today the Society has 7,735 branches with over 50,000 active members operating in all the provinces, autonomous regions and central cities. The Society puts out a journal which has already published over 16,000 articles and reports. In 1985, the Society stepped up its activities by organising 2,649 seminars and conferences of all sorts attended by more than 85,830 people.<sup>29</sup>

The Chinese leaders' desire to make workers and employees interested in improving the economic activities of enterprises led them to declare that "it is necessary to firmly guarantee the broad masses of workers and employees... the right to participate in the democratic management of the enterprises".<sup>30</sup> The system of the ARWE, as is known, was introduced at 200,000 enterprises in 1982. In 1985, it was extended to educational establishments.<sup>31</sup>

The Provisional Regulations of the Activity of Directors of State Enterprises introduced in 1984 docked noticeably the status and powers of the ARWE. Under the director's guidance a managerial committee of the enterprise is formed which comprises, apart from the director appointed by the higher bodies, a secretary of the Party committee, a chairman of the trade union committee, engineers, technicians and representatives of the workers. The director of the plant has the right to make decisions on problems pertaining to production and technological reconstruction of the enterprise, to settle cadre questions and to take measures to encourage or punish workers and employees.

The contradictions that have taken shape between the functions of the

ARWE and the director's rights make the Chinese leadership declare that "democratic management is the key characteristic of our socialist enterprises and cannot be ignored".<sup>32</sup> Characteristically enough, it was stressed at the 2nd Plenary Meeting of the ACTUF Executive Committee (December 1984) that the introduction of the system of director's responsibility at enterprises "in no way means any infringement on democracy and the position of the working class as the master of the enterprise".<sup>33</sup> The 6th Extended Session of the Presidium of the ACTUF Executive Committee (July 10-14, 1985) urged the trade unions to actively promote the introduction of the system of directors' responsibility and further strengthen the ARWE.<sup>34</sup>

The Chinese press repeatedly pointed to difficulties connected with the problem of combining the rights granted of late to the managers of enterprises with the statute of the ARWE and their functions formalised in the Chinese Constitution. In particular, ACTUF Deputy Chairman Luo Gan said in his interview that at some enterprises the managers "do not recognise the role of trade unions and independently make all the decisions without consulting the workers". He also said that the new management system which was gradually introduced at Chinese enterprises, was to give broader rights to the trade unions while offering broader powers to the managers. According to Luo Gan, the trade unions had the task of "ensuring democratic management of enterprises with the participation of the ARWE" which, together with the managers, should discuss all the problems of their enterprise, including economic indicators, wages and so on.<sup>35</sup>

With the introduction of the directors' responsibility system, trade union organisations are set a complicated task of, on the one hand, supporting the authority of the manager of the enterprise in every way, and, on the other, of promoting the system of democratic management which, to quote *Gongren ribao*, "improves" and "raises" the role of the ARWE.<sup>36</sup>

The Chinese press repeatedly cited figures on the participation of workers' and employees' representatives in management. For instance, it was reported that in 1984 as many as 1,179 directors and managers of enterprises were elected with the participation of the ARWE in Wuhan,<sup>37</sup> and 1,056—in Harbin.<sup>38</sup>

With the aim of raising the economic efficiency of enterprises great attention is attached at present to the trade union organisations' launching of the movement for scientific and technological innovations, and also to the development of the socialist labour competition drive. In October 1984, the Exhibition of Achievements of 17 Chinese cities in technological innovations and cooperation was opened in Peking on the initiative of the ACTUF and the State Economic Committee. The trade unions can be stimulated for further activity in this direction by the Notification on the Development of the Rationalisers' and Innovators' Movement in Science and Technology, which was adopted in late April 1985 by the ACTUF jointly with the State Economic Committee, the PRC State Committee for Science and Technology, and the Chinese YCL Central Committee. It assigns a certain role to the trade union organisations in starting that movement.<sup>39</sup> According to ACTUF estimates, over 1,400,000 rationalisation proposals are made and considered annually.<sup>40</sup>

The organisation of a socialist competition drive is another means of raising labour activity of the broad masses of people.<sup>41</sup> In this connection the 3rd Plenary Meeting of the ACTUF Executive Committee (November 1985), proceeding from the task of "actively working to implement the economic reforms in cities", emphasised the need to mobilise and organise the working class for the socialist labour competition drive.<sup>42</sup> It should be pointed out that the criteria for assessing the results of the competition drive have been altered. In the past priority was given to

ideological and political problems which have now given way to economic efficiency.

Analysis of the Chinese trade union press shows that the ACTUF has so far failed to launch the competition drive throughout the country. In our opinion, there is a number of reasons for this, namely, the attitude of the broad sections of the working class towards production problems, the encouragement of competition,<sup>43</sup> etc. The contemptuous attitude towards exemplary workers which took shape in the course of many years also has a negative impact. At present measures are being taken to raise the authority and role of exemplary workers (conferences of representatives of advanced work collectives and exemplary workers, discussions between veteran advanced workers of the 1950s and young advanced workers, the organisation of the movement of learning from advanced workers and others).

Of special importance nowadays is the ACTUF-sponsored campaign to make trade unions a "dear home" for workers and employees with the aim of making trade unions attractive to the broad masses of the working people and, in this way, bridging the "gap" between them and the people.

With this aim in view the ACTUF intensified the trade union activities in culture and sports, which was largely promoted by the All-China Conference on problems of trade union financial activities, held in January 1985. The conference sanctioned bigger spending by grass-root trade union organisations in this field.<sup>44</sup>

According to the ACTUF data, 25 per cent of trade union funds are now used to organise schools and different courses to raise the general educational and vocational standards of workers and employees.<sup>45</sup> They are attended by about 11 million people.<sup>46</sup> Besides, about 9 million are engaged in all sorts of self-education programmes.<sup>47</sup> In the Tibetan Autonomous Region 59 per cent of workers and employees study in groups organised by trade unions.<sup>48</sup>

The Chinese press frequently reports about trade unions setting up community centres, trade union houses, libraries and reading rooms, etc. In September 1985, the ACTUF, together with the State Committee for Physical Culture and Sports, organised the 2nd All-China Sports Contest of workers and employees following a 30-year break. Trade unions also take part in the improvement of working conditions, housing construction, urban development, organisation of tourist excursions, etc.

At the same time, it should be pointed out that the ACTUF's work in organising cultural and sports activities under conditions of reforms has not so far assumed a truly large scale; for the most part it has the nature of a campaign.

Special mention should be made of the establishment of enterprises offering services to the population (stores, workshops, hairdresser's salons and so on) by Chinese trade unions together with individual entrepreneurs on the basis of trade union funds.<sup>49</sup> The tendency towards the growth of this sort of enterprises can, in the future, affect the nature of Chinese trade unions as the organisation of the country's working class.

Summing up the results of trade union activities at the present stage of the economic structural reform in cities, it should be said that the ACTUF has so far failed to fully cope with all its tasks, though some of its endeavours are fairly fruitful.

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#### THE ALL-CHINA WOMEN'S FEDERATION AND THE REFORM \*

The women's question in general and the social status of women in particular are topical problems in today's China. Chinese women have an



important role to play in the country's economy. Xinhua reported in 1986 that the number of women among workers and employees amounted to 43 million, which is equivalent to 36.4 per cent of the total number. Women are represented in industries in the following way: they account for 33 per cent of those employed in industry, 34.9 per cent in farming, forestry and water conservancy system, 37.5 per cent in trade and the services, 37.2 per cent in urban communal services, 34.5 per cent in science, 38.2 per cent in culture, education and health care, 35.1 per cent in finance and social security, 19.8 per cent in transport and communications and 22.5 per cent in construction and geology.<sup>50</sup>

The countryside employs more than 150 million women, which amounts to half the total work force. The role of women is especially big in the country's cotton-growing regions. For instance, in 15 major cotton-growing provinces and autonomous regions women account for the majority of cotton production contractors. In the years to come, particularly in the 7th Five-Year period (1986-1990) as emphasised by the Chinese press, women will be assigned a bigger role in Chinese society.<sup>51</sup>

The tasks of doing away with the traditional concepts of the role and place of women in society and the solution of new problems that have arisen since the foundation of the People's Republic of China are in one way or another tied to the economic reform and in part entrusted to women's organisations. The Chinese press emphasised that the economic reform could not be carried out successfully without the broad support and active participation of women, that their further emancipation is closely linked with the successful implementation of the reform.<sup>52</sup>

Soon after the 3rd Plenary Meeting of the CPC Central Committee of the 12th Convocation (September 1984), which passed the "Resolution of the CPC Central Committee on the Economic System Reform", the Chinese Women's Federation published the Instruction which called for the study and propagation of that document. The Instruction, among other things, expressed hope that "the workers of women's federations, under the united leadership of Party committees, will elucidate the new problems and the new situation in which women found themselves in conditions of the reform, engage in more practical activities, go to the grass-root women's strata and promote the intellectual development of women and the development of their physical abilities".<sup>53</sup>

Problems of the economic reform and work with women were discussed at the 2nd Session of the Chinese Women's Federation (ACWF) Executive Committee (5th Convocation) held in Peking from December 20 to 23, 1984. The ACWF Chairman Kang Keqing<sup>54</sup> said at the session that the propagation among women of "The Resolution of the CPC Central Committee on the Economic System Reform" was the most important thing in the ideological and political work at present. She called upon the leading groups of women's federations to continue freeing themselves from "leftist" influences, to fight the old traditional views on women and to guide the participation of the broad mass of the people in the economic reform.<sup>55</sup> The session was also addressed by Hao Jianxiu, Alternate Member of the Secretariat of the CPC Central Committee (Member of the Secretariat of the CPC Central Committee since September 1985), who observed that the level of women's activities "still falls behind the expectations of the CPC Central Committee and in many cases fails to meet the tasks of the present period". She emphasised that of paramount importance in the activities of women were their role in the economic reform, the rate of growth of their scientific and cultural standards, the extent to which the legitimate rights and interests of women and children are met, the progress made by the reform and organisational development in women's organisations themselves and the changes in their methods of leadership and style of work.<sup>56</sup> In March 1985 the ACWF organised a cere-

monial meeting to decorate 150 women activists of economic work in urban and rural areas. The Xinhua agency pointed out that there were many directors of enterprises among them, who were known for their high business qualities and had distinguished themselves in running their enterprises and spotting talented workers.

The problem of training managerial cadres has become especially acute of late in connection with the new tasks faced by the country. Admittance to the CPC membership is a way of promoting women to positions of authority. No data on the number of women in the CPC have been made public, but the Chinese press repeatedly stressed that it was small. It is known that after the "gang of four" had been neutralised, many women who had moved to the front ranks in the years of the "cultural revolution" were demoted from Party and government bodies. Chinese leaders are now desirous to enlist women from among the most active supporters of today's economic policy of the CPC. For instance, in 1984, according to data released by the organisational department of the CPC Central Committee, 214,000 women joined the Party, that is, twice the number admitted in 1983. In Peking women accounted for one-third of the total number of those admitted into the ranks of the CPC in 1984, and for more than a quarter in Shanghai, Tianjin and the Liaoning province. The Chinese press wrote that the women newly admitted to the Party included elderly and middle-aged representatives of the intelligentsia, as well as "new talents" that had emerged in science, education, the health service, sports, information work, in industry and agriculture.<sup>57</sup>

The ACWF has an institute for training cadres for work among women. The students of this educational establishment have a vast experience of practical work at the grass-root level and are sent to study there by women's federations in the provinces, autonomous regions and cities directly subordinated to Peking. They study the basic theoretical tenets of Marxism-Leninism, the theory of the Chinese women's emancipation movement and also activities pertaining to women's rights and interests. Introduced of late are special classes on legislation and work among children.<sup>58</sup>

Rather great difficulties are encountered in training cadres at the grass-root level, especially in rural areas. It was reported, for example, that regional and rural district (village) leadership groups in the Chande region (Hunan province) had very few trained women cadre workers. Out of 2,829 cadre workers of 344 regional and rural district (village) Party committees and governing bodies, there were only 116 women, amounting to 4.1 per cent of the total number of workers. In the Anxia district 5 per cent of the village leadership (at the rural district level) had no trained women at all. It is said that the main reasons of the situation include, first, the attitude of the local leading Party workers who give preference to men and, second, the dissatisfaction of women themselves with work among the grass roots. It was pointed out that at their own free will women leave the leadership groups, change their professions or leave for towns together with their husbands.<sup>59</sup>

According to the latest data, the ACWF has 70,000 activists.<sup>60</sup> The Federation regulates its activities through departments and offices of its central apparatus, which include the department of the protection of women's rights, the children's department, the propaganda department, the department for the study of the history of the PRC women's movement, the international department and others.<sup>61</sup> There also exists a fairly ramified network of local federations. For example, the Shanghai City Women's Federation has a propaganda department, a department of the protection of the rights of women and children, a department of work with women and children, an international department and a stationery office.<sup>62</sup>

In connection with the economic reform all sorts of measures are taken in the country as regards Chinese women's labour and living conditions. For instance, in December 1984, soon after the "Resolution of the CPC Central Committee on the Economic System Reform" had been adopted, an All-China Seminar, "Women and the Contemporary Way of Life", was held in Peking. The 4th All-China Discussion devoted to the problems of services held in Dalian in December 1984 raised the question of house keeping. Deputy Head of the ACWF Department of the Protection of Women's Rights, Guo Junzhi, said during the discussion that "China is still a very backward country from the point of view of the time spent on domestic chores". For example, she went on to say, Peking women workers and employees spend, on the average, 3 hours 43 minutes a day on household work, and 84.1 per cent of 1,000 women workers and employees in Tianjin are burdened with household chores to such an extent that their work, studies and recreation are affected. Every day about 200 million people, she said, "fuss" around the stove in the country as a whole. To cut the time spent on domestic chores and to ease them, Guo Junzhi proposed that the food industry be developed, the output of household electric appliances raised, and the energy problem resolved. Urban housing should be more efficiently supplied with gas in cylinders or on centralised basis, and the countryside should accelerate the hot water supply from solar energy installations and devices for the production and usage of methane.<sup>63</sup>

More attention has been paid of late in China to marriage and family problems. In 1984 a methodologic seminar on family studies was organised in Guangzhou for the first time in China's history. The Declaration passed at the session pointed out, among other things, that it was necessary to attach greater importance to the study of family theory; to develop the Marxist doctrine of the family, taking the Chinese specifics into account, to spread knowledge about the family, and to promote the education of especially young people and newly-weds.<sup>64</sup> The same year saw the All-China methodologic seminar on marriage and family. It was organised by the All-Chinese Committee for the study of marriage and family problems under the ACWF, the sociology department of the Chinese Academy of Social Sciences and the Chinese law society. The seminar discussed the role and place of women in the family; the changes that had taken place in families in the countryside, in relations among family members, in the way of life and consumption; the collision of new and old ideas about marriage and family, etc.<sup>65</sup>

It is common knowledge that the birth of a baby girl in China is still a cause of dissatisfaction in the family, especially in the countryside. The Chinese press discussed the problem more than once. For example, the newspaper *Zhongguo Funu bao* carried an article about the ruthless treatment of a woman who gave birth to a baby girl by her in-laws.<sup>66</sup> To carry out education in family matters women's federations set up courses and various societies, launch campaigns to advertise exemplary parents, encourage women farmers to take up studies, render aid in bringing up children<sup>67</sup> and give publicity to exemplary families adhering to "five good" principles.<sup>68</sup>

In conditions of the economic reform ever greater attention is being paid to problems of eradicating illiteracy and raising the cultural and educational standards of women, who account for the overwhelming majority of the illiterate people in the country.<sup>69</sup> With the aim of more effectively influencing the illiterate part of the female population, the local branches of women's federations have of late been working out special rules to combat illiteracy among women, including special measures of public coercion. For instance, in the Jiangsu province where women account for 80 per cent of all the illiterates from 12 to 40 years of age, the

provincial women's federation have worked out new rules of combating illiteracy in accordance with which illiterate women under 40 are not awarded the "March 8" pennants and can't stand for exemplary family adhering to "five good" principles. The rules also stress that the title of "four good principles"<sup>70</sup> cannot be granted to a women delegates' organisation if there are illiterate women under 40 in the regions controlled by it.<sup>71</sup>

Cooperating with other organisations the women's federations set up women's schools, courses and other educational establishments, including part-time ones. For example, a women's institute with a curriculum intended for two-three years was opened in Xian (Shanxi province) in 1984. About 100 young girls enrolled in it to study financial work at industrial enterprises and computers. The Xinhua agency pointed out that after graduation these girls would be given jobs in accordance with their professional training. That same year a Women Managers' Training Institute<sup>72</sup> was opened in Peking upon ACWF decision. The country's first private women Huanan University was established in Fuzhou (Fujian province) in 1985. It teaches students English to enable them to work in special economic zones and has departments of pre-school child education, nutrition and fashion design. Tuition is paid and studies last for three years. Though the state does not assume the responsibility for providing the university graduates with jobs, the best students may continue their studies abroad.

To attract the largest possible number of women to tackle the tasks set by the economic reform, women's commissions have of late been set up in the democratic parties of China. For example, the "Zhigongdang" party set up a women's commission in 1984. The activities of women's commissions under the democratic parties of China aim at promoting the movement for the title of the "March 8" standard-bearer and the family of "five good" principles, at organising cultural and educational activities for women, at improving nutrition, etc.<sup>73</sup>

Alongside the successes scored in tackling the women's question, there still remain serious problems. For instance, in connection with the economic reform the Chinese press voiced fears that in the present-day circumstances, when the enterprises were given greater freedom of action, women would find it even more difficult to get jobs than before. Even though some provinces and cities have worked out documents regulating the ratio of men and women employed, they are often ignored. For example, in Tianjin men accounted for 97 per cent of the people employed late in 1984 and women—a mere 3 per cent; there was not a single woman among the 975 newly-employed at the Shenyang railway department; in some regional communications departments in Shanghai the ratio among the applicants for jobs is 20 men to 5 women.<sup>74</sup>

The Chinese press testifies that "a respectful attitude to men and disdain towards women" during enrollment at educational establishments and provision of jobs results in the fact that the number of young women "on the waiting list", in other words unemployed, is steadily growing. For instance, according to the same data, in Shanghai young girls accounted for 70-80 per cent of the unemployed youth.<sup>75</sup> In the countryside feudal ideas still exist about women as "creatures of a lower order", there are cases of newly-born baby girls being killed and women giving birth to these infants being maltreated by in-laws; the laws protecting women and children are often violated. Besides, women play an obviously inadequate role in the socio-political life of the country: they account for a mere 16.5 per cent of the total number of workers in government bodies and public organisations.<sup>76</sup>

Analysing the ACWF activity at the present stage, it should be said that in conditions of the reform the Federation, as before, pays great at-

tention to the problems of ideological and political work among women. For example, the 3rd Session of the ACWF Executive Committee of the 5th Convocation (November 19, 1985) reiterated the importance of carrying out long-term ideological and political work and termed women's organisations an important unit of the Party in carrying out that work.<sup>77</sup> To step up propaganda work, the number of publications for women has sharply grown of late. Since October 1984 *Zhongguo funu bao*, the first women's newspaper in Chinese history published by the ACWF has been coming out. Apart from the magazine *Zhongguo funu* (Women of China) published in Chinese and English, the country now puts out about 30 magazines for women.

The experience in carrying out the economic reform is actively propagated on the international scene.<sup>78</sup> For instance, Chen Muhua, Alternate Member of the Politburo of the CPC Central Committee and Member of the PRC State Council, said at the world women's conference in Nairobi that the economic reform being carried out in China had brought about favourable conditions for the development of women's creative abilities, their further involvement in the economy and for improving their social status.<sup>79</sup>

T. YEMEL'YANOVA

#### NOTES:

- <sup>1</sup> *Renmin ribao*, Dec. 15, 1984.
- <sup>2</sup> *Zhongguo qingnian bao*, Dec. 4, 1985.
- <sup>3</sup> The association of the young managers of Chinese enterprises was founded in February 1985. Zhang Baoshun, Member of the Secretariat of the Chinese YCL Central Committee (11th Convocation), Deputy Chairman of the All-China Youth Federation and Member of the Standing Committee of the CYF (6th Convocation) was elected chairman of the association. *Renmin ribao*, July 1, 1986.
- <sup>4</sup> See, for example, materials on the activity of the YCL Committee of the Chaoyang machine-building plant in the Liaoning province in 1984-1985. *Zhongguo qingnian bao*, Sept. 1, 1984; Jan. 25, 1985.
- <sup>5</sup> *Zhongguo qingnian bao*, Nov. 13, 1984.
- <sup>6</sup> *Ibid.*, Dec. 4, 1985.
- <sup>7</sup> *Ibidem.*
- <sup>8</sup> *Renmin ribao*, Oct. 28, 1978.
- <sup>9</sup> *Zhongguo qingnian bao*, Dec. 28, 1982.
- <sup>10</sup> *Ibid.*, Dec. 4, 1985.
- <sup>11</sup> *Gongren ribao*, April 30, 1985.
- <sup>12</sup> *Ibid.*, Aug. 3, July 10, 1984.
- <sup>13</sup> *Renmin ribao*, May 1, 1985.
- <sup>14</sup> *Gongren ribao*, May 28, 1984.
- <sup>15</sup> *Ibid.*, July 4, 1984.
- <sup>16</sup> *Ibid.*, Sept. 21, 1984.
- <sup>17</sup> *Ibid.*, July 4, 1984.
- <sup>18</sup> *Ibid.*, Oct. 27, 1984.
- <sup>19</sup> *Ibidem.*
- <sup>20</sup> *Ibid.*, July 4, 1984.
- <sup>21</sup> The book reading movement was started on the initiative of Shanghai trade unions in May 1983.
- <sup>22</sup> *Renmin ribao*, May 1, 1985.
- <sup>23</sup> In my opinion, dissatisfaction with the CTUF work is borne out by the significant cadre changes in the Chinese trade union leadership after the 10th Congress (Oct. 1983). Five (out of seven) CTUF deputy chairmen (Gu Dachun, Wei Jianxing, Wang Jialun, Jiang Yi, Chen Jumsheng) were transferred or relieved of their posts; Liu Shi was relieved from the post of CTUF secretary. Fang Jiade, Yu Qinghe and Li Rongguang were made members of the Presidium of the CTUF Executive Committee.
- <sup>24</sup> *Gongren ribao*, Nov. 14, 15, 1985.
- <sup>25</sup> *Ibid.*, Nov. 14, 1985.
- <sup>26</sup> *Renmin ribao*, Nov. 14, 1985.
- <sup>27</sup> *Gongren ribao*, Nov. 21, 1985.
- <sup>28</sup> *Ibid.*, Dec. 6, 1985.
- <sup>29</sup> *Gongren ribao*, Dec. 17, 1985.
- <sup>30</sup> *Renmin ribao*, Dec. 28, 1984.
- <sup>31</sup> *Gongren ribao*, Feb. 6, 1985.
- <sup>32</sup> The second session of the National People's Congress of the 6th Convocation. Peking, 1984, p. 33 (in Chinese).
- <sup>33</sup> *Gongren ribao*, Feb. 6, 1985.

- <sup>34</sup> *Renmin ribao*, July 17, 1985.
- <sup>35</sup> *China Daily*, Jan. 30, 1985.
- <sup>36</sup> *Gongren ribao*, May 25; Aug. 3; Oct. 26; Dec. 28, 1984.
- <sup>37</sup> *Ibid.*, Aug. 3, 1984.
- <sup>38</sup> *Ibid.*, Nov. 12, 1984.
- <sup>39</sup> *Renmin ribao*, May 2, 1985.
- <sup>40</sup> *Gongren ribao*, April 30, 1985.
- <sup>41</sup> *Ibid.*, Aug. 8; Oct. 17, 1984; Jan. 26, March 1, 1985.
- <sup>42</sup> *Ibid.*, Nov. 14, 1985.
- <sup>43</sup> The Provisional Statute on Developing and Protecting Socialist Competition has been in force since October 1980.
- <sup>44</sup> *Gongren ribao*, Jan. 15, 1985.
- <sup>45</sup> *Ibid.*, April 30, 1985.
- <sup>46</sup> *Beijing Review*, 1984, No. 7.
- <sup>47</sup> *Ibidem*.
- <sup>48</sup> *Gongren ribao*, Feb. 5, 1986.
- <sup>49</sup> *Ibid.*, June 25, 1985.
- \* The All-China Women's Federation (ACWF) was founded in 1949 at the 1st All-China Women's Congress and was called at that time the All-China Democratic Women's Federation. According to its Rules, the ACWF is a CPC-guided mass organisation of the working people, including the patriotically-minded women who advocate socialism and the unification of their homeland. The ACWF is the leading body of the local women's federations formed in accordance with the country's administrative division (See *The ACWF Rules*. *Renmin ribao*, Sept. 13, 1983).
- <sup>50</sup> *Women of China*, 1986, No. 3, p. 13.
- <sup>51</sup> *Renmin ribao*, March 7, 1986; *Zhongguo junu bao*, April 18, 1986.
- <sup>52</sup> *Hongqi*, 1985, No. 5, p. 17.
- <sup>53</sup> *Zhongguo junu bao*, Oct. 24, 1984.
- <sup>54</sup> Kang Keqing (b. 1912), widow of outstanding Chinese military leader Zhu De, is Deputy Chairman of the All-China Committee of the People's Political Consultative Council of the 6th Convocation and Chairman of the All-China People's Children Protection Committee.
- <sup>55</sup> *Zhongguo junu bao*, Dec. 26, 1984.
- <sup>56</sup> *Ibidem*.
- <sup>57</sup> *Renmin ribao*, March 7, 1985.
- <sup>58</sup> *Women of China*, 1984, No. 9, p. 41.
- <sup>59</sup> *Zhongguo junu*, 1984, No. 12, p. 40.
- <sup>60</sup> Data from a talk held at the office of the Soviet Women's Committee with members of the ACWF delegation which visited the USSR in June 1986.
- <sup>61</sup> Data from a talk with member of the ACWF Secretariat Wang Deyi in Peking in June 1985.
- <sup>62</sup> Data from a talk with Tao Dayu, a leader of the Shanghai City Women's Federation, held in Shanghai in June 1985.
- <sup>63</sup> *Zhongguo junu bao*, Dec. 12, 1984.
- <sup>64</sup> *Jiating*, 1984, No. 8, p. 2.
- <sup>65</sup> *Renmin ribao*, Dec. 9, 1984.
- <sup>66</sup> *Zhongguo junu bao*, Nov. 21, 1984.
- <sup>67</sup> *Renmin ribao*, Jan. 2, 1985.
- <sup>68</sup> It is required of the family of "five good" principles to work and study well, to respect members of the family and neighbours, to plan family growth and to bring up children, to obey discipline and laws, and be polite in society. *Beijing Review*, 1985, No. 9, p. 17.
- <sup>69</sup> According to data made public in 1983, women account for 70 per cent of the total number of illiterates in the country. *Renmin ribao*, Sept. 14, 1983.
- <sup>70</sup> The "four good" principles are to engage in ideological and political work, to take an active part in undertakings aimed at improving the people's health and those connected with studies and work, to carry out organisational work correctly, to adopt a correct style of work and to maintain ties with the people.
- <sup>71</sup> *Zhongguo junu bao*, Oct. 10, 1984.
- <sup>72</sup> *Women of China*, 1984, No. 9, p. 42.
- <sup>73</sup> *Zhongguo junu bao*, Oct., 31, 1984.
- <sup>74</sup> *Ibid.*, Jan. 30, 1985.
- <sup>75</sup> *Ibidem*.
- <sup>76</sup> *Women of China*, 1986, No. 3, p. 13.
- <sup>77</sup> *Renmin ribao*, Nov. 13, 1985.
- <sup>78</sup> In conditions of the economic reform international contacts of the ACWF became noticeably more active. At present it maintains contacts with more than 240 women's and children's organisations in over 120 countries and regions of the world (*Renmin ribao*, March 8, 1986). The past few years saw, after an almost 25-year break, exchanges of delegations between the Soviet Women's Committee (October 1985) and the ACWF (June 1986).
- <sup>79</sup> *Renmin ribao*, July 18, 1985.

## WORLD BANK POLICIES INFLUENCE ON CHINA'S ECONOMY ASSESSED

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[Article by S.A. Manezhev, candidate of economic sciences: "The World Bank's Economic Doctrine and the Economic Reform in China"]

In late October 1985 representatives of the so-called World Bank group which brings together such major international financial institutions of the capitalist world as the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC) issued a special report "China: Long-Term Issues and Options"<sup>1</sup>. Its seven big volumes contain a wide range of information collected in China by IBRD's fact-finding missions. The report immediately attracted close attention in many countries of the world, primarily in the People's Republic of China itself. This is explained by the fact that through this impressive document the World Bank (in fact, the entire capitalist world which it represents) has actively intervened in the debate on development options, which has been going on in China in recent years.

For over 30 years the Bank's experts have been preparing reports of this kind which are offered to governments of Asian, African and Latin American countries as ready-made programmes for socio-economic development. Recommendations contained in the reports are not empty verbiage. In fact, they are closely linked with the Bank's credit lines and, what is more important, with general foreign policy trends of imperialist powers, enabling them to mostly concentrate their influence on the socio-economic development of former colonies and semi-colonies.

China which joined the IBRD in the spring of 1980 has already become the Bank's third biggest borrower, after its long-standing customers such as India and Brazil. Loans extended by the IBRD and IDA have constituted 45 per cent of the total credit assistance received by China in recent years. This fact seems to account for the attention which the country pays to the World Bank's economic recipes. The main theses were quickly translated into Chinese and published in Peking<sup>2</sup>. A permanent representation of the World Bank has been functioning in China since 1985 and exhibitions of IBRD publications have been held to promote its economic ideas<sup>3</sup>. These factors determine the urgent and practical significance of a thorough analysis of the report on Chinese economy in which the World Bank expounds the system of its approaches to the economic reform in China.

### A "BALANCED" BIAS

In assessing the current state and prospects for the Chinese economy, the authors apply the standard classification of countries by the "degree of poverty" which the Bank uses to determine how soft its credits can be. Thus, having established that in 1981 the per capita GNP in China did not exceed \$350, they unhesitatingly included it into a rather big group of "countries with low incomes", putting China virtually on the same footing with Pakistan, Sri Lanka, Gambia, Sierra Leone, Madagascar, etc.<sup>4</sup>

The large-scale economic tasks defined in official directives of the Chinese leadership are self-evident. To catch up with the industrialised coun-

tries by the mid-21st century, as is expected in China, its per capita GNP should grow at an annual rate of 5.5. to 6.5 per cent. The authors note that an important, and in many respects, decisive stage of this unprecedented programme of long-term economic growth should be the four-fold increase in gross industrial and agricultural output projected by the Chinese leadership for the period between 1980 and 2000. This should be accompanied by the raising of per capita GNP to \$800 (an average of 5 per cent annually), i. e., to the present-day level in such countries as Thailand and the Philippines.

As for the validity of this approach, we cannot but point out that the authors, being typical representatives of bourgeois economic science, willingly compare aggregate technical and economic indicators (per capita national product, sectoral structure of GNP, etc.), and ignore their specific socio-economic content. As a result, though seemingly logical and well argued, their positions exemplify not only a certain measure of simplification but also a complete disregard for a number of essential aspects of development. "The category of development," observes L. Zevin, a Soviet economist, "is a complex phenomenon which organically embraces technology as well as economic, political and social factors"<sup>5</sup>. Thus any comparison of quantitative indicators should be combined with an analysis of the essence and character of relations of production, including forms of property, methods of running and regulating an economy, system of distribution, and so on.

It would only be fair to say that the authors use arguments that point at some specific features of China's economy, not fitting into the IBRD's stereotypes. They note, in particular, the unexpectedly high level of indicators such as the norm of accumulation, the calorie value of the diet, the average level of literacy, life expectancy, etc.<sup>6</sup> Not only does this make China stand out against the general background of the least developed countries but also places it, in some respects, abreast with, or even ahead of, many states with a much higher GNP per capita.

The authors do not go beyond a mere statement of the fact. Meanwhile, an immediate relationship between the above-mentioned features and such basic characteristics of China's socio-economic development as the absence of exploiting classes and private appropriation, as well as the leading role of the state in economic construction, places China in a situation which is different from other developing countries with similar technical and economic indicators, and opens before it much wider prospects for development.

The Bank's experts apply the method of economic modelling to define options and alternatives of economic growth in China during the period ending in the year 2000. They schematically divide the Chinese economy into 20 different sectors (plant cultivation, electric power generation, oil extraction, mechanical engineering, transportation, trade, etc.) and calculate the volume of production, material intensity, employment, capital investments and prices within each of them, interlocking some 600 variables. The end result is offered to the readership in the form of three basic predictive models of China's economic development, arbitrarily designated as "four-fold increase option", "moderate option" and "balanced option" that have the following principal parameters.

The "four-fold option" virtually fits in with the main objectives of the Chinese leadership: the rates of growth guarantee precisely a four-fold increase in the gross industrial and agricultural output by the year 2000, while the per capita GNP will be \$830 in absolute terms. But, as the authors note, such results are predicated on a whole number of prerequisites, including primarily a much higher effectiveness of capital investments, especially in such chronically backward sectors as power engineering and transport. Suffice it to say that the average effectiveness



Table 1

**Alternative Models of Economic Development  
in China from 1981 to 2000 (main indicators  
in prices of 1981) Suggested by the World Bank**

	Four-fold increase option (per cent)	Moderate option (per cent)	Balanced option (per cent)
Gross national product (average annual increase)	6.6	5.4	6.6
Per capita GNP* (average annual increase)	5.5	4.3	5.5
Gross industrial and agricultural production (average annual increase)	7.2	6.0	6.4
Norm of accumulation	29	29	26
Output of major economic sectors (average annual increase):			
agriculture	4.5	3.7	4.6
heavy industry	8.1	6.9	7.0
light industry	7.9	6.5	7.1
infrastructure	7.3	6.1	7.0
services	7.2	6.0	10.5

\* Average annual population growth is assumed to be 1 per cent under each option.

Source: *China: Long-Term Development Issues and Options*, pp. 36, 38.

of investments in power engineering should be on the level reached at projects which are being built with IBRD assistance in China and other countries. Otherwise, warns the report, the capabilities of the energy and fuel sector, and of transport will not ensure the predicted rates of industrial development and will, therefore, jeopardize the attainment of the planned targets.

In contrast with the dynamic, and high-risk "four-fold" scenario, the "moderate option" orientates Chinese economy toward relatively slower rates of development. Though quite reliable, it does not guarantee, however, that by the year 2000 China will join the medium income countries. So this option indefinitely postpones the attainment of the level of advanced countries, the main reason being low economic effectiveness. The authors have estimated that to achieve the "four-fold" objectives at the level of effectiveness of capital investments and labour productivity growth, which is implied in the "moderate option", it would be necessary to raise the norm of accumulation to 36 per cent, which is fraught with a sharp decline in the living standards of the population and serious social instability.

Finally, the third, so-called balanced option. The Chinese leadership's official targets in respect of the GNP growth by the year 2000 will be attained if the norm of accumulation is brought down from 29 to 26 per cent, while social and personal consumption simultaneously goes up. Therefore, the option provides for the highest economic effectiveness. It is declared that the key is accelerated growth of services (trade, crediting and financial operations, etc.) whose share of the labour market is to increase to 25 per cent by the end of the century as against 10 per cent in 1981. The report notes that this will result in a reduction of the stock of goods and an overall increase in the effectiveness of revolving funds, in more optimal investment decisions, more developed specialisation and

cooperation in industry and agriculture. Although the accelerated growth of services will not be able to bring about the desired four-fold increase in industrial and agricultural production, in the opinion of the authors, it will have some attractive aspects such as reduced shortages of energy and transport resources.

So, each of the suggested economic models has its pros and cons, claiming to be an objective reflection of development alternatives in China. But our attention is attracted by the authors' biased attitude to formulation of assumptions, selection of comparable statistics and temporal frameworks of each option. Thus the effectiveness of capital investments under the "moderate option" is rather arbitrarily matched with the level reached by the USSR between 1950 and 1975, and by India in the period from 1960 to 1982. The same parameter under the "balanced option" is compared with that of Japan between 1950 and 1980 and of medium income countries in 1960-1982<sup>7</sup>. The only aim of such pseudo-scientific comparisons is to find objectivised statistical data which would demonstrate the down-to-earth nature of the conclusions drawn in the report.

Furthermore, a comparison of the growth scenarios suggested by IBRD experts easily reveals that only one of them, i. e., the "balanced option", provides for concrete ways and means of raising the effectiveness of social production, although this factor, as is justly observed in the report, will be decisive for the programme of modernisation in China. The growth of effectiveness through the expansion of services, especially trade, is directly linked with the appearance of market relations. Thus, a theoretical foundation is being laid for the subsequent discourse on the economic function of the state. The net result is that the authors "plant" a wide range of recommendations on the economic reform in China almost exclusively into the "balanced option" as the most promising way of development.

#### **"MARKET SOCIALISM", KEYNESIANISM AND CHINA'S SPECIFIC FEATURES**

The authors positively assess the current reform of China's economic system, describing it as "one of the most far-reaching attempts to improve the functioning of a socialist economic system". Furthermore, they note that the attempt is only an initial stage in the implementation of the PRC's general strategy of creating "a Chinese brand of socialism".<sup>8</sup>

Assessing the prospects of the Chinese economy the IBRD experts suggest that the only way to increase substantially the effectiveness of social production is to allow a market mechanism to operate on a large scale. A price reform is proposed as an essential factor in their system of measures. To begin with, they suggest that the prices of energy resources and some industrial raw materials be raised. By stimulating the chain reaction of the growth of prices for the products of energy-intensive branches it would be possible to step up the production of energy resources, promote their all-round conservation and thus mitigate the energy problem in China. As for prices of agricultural produce, they recommend discontinuation of state subsidies and a switch over to market regulation which would also mean substantial price hikes (by 50 to 60 per cent for grain, 80 per cent for vegetable oil, etc.).<sup>9</sup> The entire economy will eventually be oriented toward market pricing without any state control. In the opinion of the authors, this will automatically balance the supply and demand situation, and eliminate chronic shortages of many products. The state is thus assigned a secondary function of intervening in the market to cushion the effect of excessively sharp fluctuations of prices for individual goods<sup>10</sup>.

The Bank's theoreticians attempt to shore up their recommendations

by references to existing flaws in the area of centralised price formation and related imbalances in China's price system. In this context, the Chinese press highlights the unreasonably low prices for mining products, raw materials and energy. "If the situation is not changed", notes *Ren-min ribao*, "it will not be possible to influence enterprises of the manufacturing industry, it will not be possible to put them on the road of technical progress, improved system of management, reduced costs, and higher effectiveness."<sup>11</sup> Purposeful efforts are necessary to bring prices closer to socially needed costs in order to liquidate the situation and turn prices into a social standard of expenditures which would stimulate improvements in the production process.

But instead, China is offered a concept which is well known from the works of those who support the "market socialism" theory and which equates the optimal structure of production and distribution with the proportions which are formed spontaneously on the market under the influence of uncontrollable price fluctuations. By erroneously identifying solvent demand with real social needs the Bank's theoreticians emphasise the advantages derived by production units and individuals in favourable market conditions. But they disregard the damage which will be done to remaining less profitable enterprises and less affluent sections of the population. The authors consistently pursue their line of reasoning in stating that at a certain stage the task of accelerated development enters into conflict with the task of egalitarian income distribution.<sup>12</sup> Elaborating on the thesis, the experts suggest that property differentiation be encouraged as a principal catalyst of development by cutting the wages of the bulk of Chinese workers, and by ensuring high incomes for lucky entrepreneurs, managers and individual farmers.<sup>13</sup> A natural consequence of this policy will be a hypertrophy of private economic interests, greater unemployment and social inequality.

Moreover, the suggested reduction of the share of production accumulation will limit the growth of capital-intensive industries, in particular the fuel-and-energy sector. In this context, a radical increase in the prices of energy carriers will not promote their production; rather, this will hold back fuel consumption and stimulate reorientation of China's economy toward priority development of agriculture, services, light industry, and other less energy-intensive branches at the expense of key industries (mechanical engineering, transport, chemical industry, etc.) which need more energy. The net result may be a more acute problem of inputs for economic growth and slower rates of real modernisation which is to create an integrated system of modern industries.

Finally, while noting the need for government's stabilisation programmes, the IBRD analysts sidestep the question of providing them with adequate financial and material resources. Meanwhile, according to the authors themselves, with the elimination of food subsidies, incomes of urban populations will have to be increased by 25 to 45 per cent<sup>14</sup> to enable them to maintain their current living standards. As a result, the financial means of the state may decrease rather than increase. In the absence of material and financial resources which would enable the state to control the market completely, the state's intervention in the market may create unfavourable situations. Thus, in early 1985 attempts by the Hunan provincial government to bring down rapidly increasing grain prices through the sales of rice from state stocks met with coordinated actions by private middlemen who earned up to 20 per cent in profits by reselling state rice at free market prices.<sup>15</sup> The intervention resulted in the channelling of state funds into the private sector.

On the whole, experience shows that in the context of acute shortages of a whole number of important products even a partial lifting of state control over prices inevitably raises the prices and creates a risk of in-

flation. Official statistics put the growth of consumer prices at 8.8 per cent in 1985 (and 2.7 per cent in 1984).<sup>16</sup> The dangerous character of such a trend arouses concern in China. Thus, at an international conference on economic management held in Peking under the aegis of the Chinese Academy of Social Sciences and the World Bank (December 1985), the Chinese representative stated that the lifting of state control over prices as proposed by foreign experts may lead, in conditions of China, to an "overall inflation" already in the 7th five-year-plan period (1986-1990).<sup>17</sup>

A much greater economic autonomy for enterprises is an important element of the Bank's recommendations, with the measures taken by China in recent years regarded merely as a prelude to a really cardinal solution of the problem of enterprise/state relations. This is because the authors of the report believe that in a complex and variable market economy the state is not in a position to know and determine what should be done by each concrete enterprise. This makes any direct state administration of enterprises meaningless and wasteful.<sup>18</sup>

Large-scale introduction of shareholding enterprises in which various institutions are the principal shareholders is suggested as a means of freeing them from state control. Several major West German companies with state participation are cited as an example of such a "diffused" form of public property. The "freedoms" to be granted to such economic units include independent definition of the volume and range of output; independent decision-making on investment, with enterprises getting the bulk of profits; free conversion to more profitable undertakings; an unrestricted right to set up joint ventures with foreign firms; and finally, "complete freedom to dismiss lazy, negligent and redundant workers".<sup>19</sup> In order to set these components of the market mechanism in motion it is suggested to provoke allround competition among enterprises. The authors emphasise that the loser should feel the full impact of market competition: he should be forced either to improve its performance, find a new field of activity or cease to exist.<sup>20</sup>

What will be the functions of state planning and management bodies in this motley context? The report expressly states that the state should cut down its direct participation in many economic spheres, including the production process, trade, price formation, and employment.<sup>21</sup> Instead, the state bodies are offered the Keynesian recipes for regulating aggregate demand by establishing such taxes and loan interest rates which would, in one way or another, determine the profitability of different kinds of activity. Mandatory planned targets should give way to methods of indirect control; medium- and long-term planning is replaced by the programming of various economic sectors as is the case in France and Japan.

Here is yet another example of how skillfully the IBRD experts use the real difficulties and problems of China's economic development to substantiate their recommendations. Indeed, the prevalence in the 1960s-1970s of purely administrative methods of economic management and the underestimation of economic levers were an important prerequisite for the decline in the effectiveness of social production in China. As repeatedly noted by Chinese economists, in this context the introduction of the self-support principle designed to develop economic autonomy of enterprises and also enhance their economic motivation and responsibility for the results of their production activities, is an essential task of China's current economic policy. The premise is used as a reference point in the conceptualisation carried out by the IBRD experts who go so far as to pursue a policy of utmost development of free enterprise and introduction of the market mechanism—a policy which is so well known from the World Bank's activities in many developing countries. The authors.

however, disregard some significant features of the Chinese reality. As a result, possible implications of their recommendations go far beyond the limits of economic rationality and appropriateness.

It is a well-known fact that China is suffering from a chronic shortage of qualified personnel. Technical specialists account for only 3 per cent of the total number of workers and office employees. Only 6.4 per cent of those who run state-owned enterprises and organisations have higher or incomplete higher education.<sup>22</sup> In this situation unlimited autonomy of economic units may, in practice, lead to numerous wrong decisions and, therefore, to the wasting of scarce economic resources.

It should also be recalled that China has many ineffective and downright unprofitable industrial facilities, the latter alone accounting for over 15 per cent of the total number of state-owned enterprises.<sup>23</sup> The low efficiency of these enterprises is not always due to irrational prices, it is almost universally caused by such long-term factors as obsolete or worn-out equipment, inadequate skills, shortages of raw materials and energy, etc. It is unlikely that these problems can be solved by granting complete economic autonomy to such enterprises and subjecting them to the destructive impact of market competition. The inevitable result will be massive bankruptcies and shutdowns of not only ineffective enterprises but also of normally functioning ones whose products may become redundant in view of spontaneous demand. Even if we follow the authors' example and dismiss the threat of massive unemployment and related social complications and conflicts, at the very least the situation will seem ambivalent in purely economic terms. The short-term gain in the form of greater effectiveness of a group of prospering enterprises cannot make up for the losses connected with a substantial reduction of production capacities and non-utilisation of important material, financial and human resources.

Lastly, one has to bear in mind such factors as China's vast territory, the dearth of transportation and highly unequal development of separate regions and sectors. Instead of creating a single nationwide market, the implantation of a market mechanism will lead to the emergence of several isolated regional markets with their specific features in respect of goods, market situation and price formation. Whereas the situation may appear attractive to imperialist monopolies which strive to "develop" primarily the most advanced economic sectors and regions of China, from the point of view of China's national interests, all this carries with it the risk of continued regional disintegration, greater inadequacies in the development and distribution of the productive forces.

The aspects of the IBRD recommendations considered above give a sufficiently clear idea of their economic implications. But their possible impact on China's socio-economic development does not boil down to these implications alone. It is no secret that under socialism the state exercises its right as the owner of the main means of production primarily by determining the production orientation of economic units, siting of enterprises, establishing and regulating economic ties between them and, finally, by setting mandatory planned targets.<sup>24</sup> In fact, liquidation of these functions, their replacement by elements of the market mechanism turn state property into a legal form devoid of any real economic content. Therefore, the Bank's recommendations are aimed at creating an atomistic structure of property which reduces the economy to a sum total of individual enterprises and weakens the economic function of the state.

The Bank's recommendations for stimulating the multisectoral structure of China's economy pursue the same objective. Their main element is the development of private enterprise, any limitation of which is regarded as suppression of potentially dynamic forces in the economy.<sup>25</sup>

As for the state sector, it is suggested to narrow substantially the scale and scope of its activities. The report, in particular, discusses the possibility of reducing the share of state capital investments to 20 per cent as against more than 70 per cent at present.<sup>26</sup> Since the share of investments from the state budget will inevitably fall below 10 per cent of the total volume of investments, it is clear that the state will have very limited room to manoeuvre economic resources and define in a centralised manner the character and ways of development.<sup>27</sup> It is suggested that the state should cover social costs of the functioning of the market mechanism by paying grants to the unemployed, financing the retraining of dismissed workers, giving aid to poor rural areas, etc.<sup>28</sup> The drastic reduction of the state budget incomes which is proposed by the Bank leaves open the question of whether the state will have adequate resources for such activities. Furthermore, the above approach divests the state of a function which belongs to it under socialism, i. e., to actively shape society's social profile, and turns it into a sort of a buffer of social tension.

So, the creation of a "Chinese brand of socialism" after the World Bank's recipes presupposes renunciation, in the end, of some important principles and methods of socialist development. It is not by chance that the Chinese press publishes materials critically assessing foreign experts' recommendations to extend market relations in the PRC's economy. For example, while analysing the proposal to grant full economic independence to state enterprises, *Guangming ribao* noted that such independence should remain within definite limits. Otherwise, serious difference of interests may appear between the state and the enterprises.<sup>29</sup> In evaluating the World Bank's recommendations as to how to change the relations of property in China, with a priority development of non-state property, Chinese experts maintain that such a line "runs counter" to the course followed by the PRC government and aimed at building a socialist society.<sup>30</sup>

#### ON THE ROAD OF "CATCHING-UP" DEVELOPMENT

Apart from the analysis of purely internal aspects of the economic reform, the Bank's recommendations concentrate on external economic relations. This is only natural since the low level of economic development, shortage of material and financial resources, technical knowledge and organisational experience predicate China's dynamic economic growth on the expansion of its economic relations with more advanced nations. In this connection the authors note that in the future China's deeper involvement in international economic exchange will contribute to the growth of the effectiveness of social production and the living standards of the population. They also point to the other side of the issue, namely the possibility of growing economic instability, inflationist trends, and regional disproportions which may be generated by a stronger impact of spontaneous fluctuations in the world capitalist market on Chinese economy. The authors believe, however, that the vast territory, the multi-sectoral character of the economy, and the limited participation of foreign trade in the process of reproduction substantially reduce any possible damage from an unexpected change of the situation on the world market in comparison with the more predictable costs of isolationism.<sup>31</sup> The report thus suggests a number of measures to further develop the "open door" policy which China has been pursuing in recent years.

The report states, in particular, that the realisation of the advantages of international economic exchange requires radical decentralisation of the management of foreign economic relations by granting to all enterprises the right to independent import-export operations, and by substan-

tially expanding and intensifying the activities of foreign trade companies, including companies of collective and individual ownership. As a result, the report says, Chinese enterprises should get easier access to modern goods and technologies, and the Chinese market should see competition between local and foreign producers which will stimulate the effectiveness of social production in the PRC.

In order to avoid erroneous foreign trade decisions, the granting of the right of free access to the external market should, in the opinion of the authors, be geared to the restructuring of the entire economic machinery. In this context, the Bank's analysts invoke price-reform, recommending the world market prices as a basis for price formation in China. This should ensure a "rational orientation" of Chinese enterprises toward the development of production and export of relatively low-input goods, and simultaneous expansion of imports whose local production is more costly than purchases abroad. The authors believe that this will be the most effective way of integrating China into the system of international division of labour.<sup>32</sup>

In assessing these foreign economic recommendations we may first of all point to the invalidity of the experts' attempts to present the world outside China as a homogeneous system, relations with which produce unequivocal results. By ignoring the split of the world economy into two conflicting socio-economic systems—capitalism and socialism—the authors apriori orientate China toward developing its economic relations only with capitalist countries. There is a growing concern about such possible costs in the development of international economic exchange as economic instability in China, widening gaps in the development of coastal and inland regions, growing inflationist trends, etc. Indeed, these negative phenomena have been observed in China's economy in recent years with the country's conduct of the "open door" policy directed primarily at expanding its economic contacts with developed capitalist countries. As can be best judged from China's historical experience, there is, however, a completely different way of integrating external factors into economic development processes. Broad cooperation in the 1950s between China and socialist countries graphically showed that economic relations within the framework of the world socialist economy which are based on the principles of fraternal cooperation, genuine equality, mutual benefit and non-interference in internal affairs, have a stable and planned character and promote dynamic, proportional development.

The authors' proposals on the nature of China's participation in international division of labour are based on the Bank's traditional doctrine of "comparative production costs", or, to be more precise, its statistical model which has turned some correct propositions by Adam Smith, and particularly David Ricardo, into ossified stereotypes equally applicable to all situations and countries. Given China's enormous labour resources and low wages, the doctrine argues in favour of the "rationality" of imports of science- and technology-intensive products from developed countries (engineering and chemical products, computers, etc.) in exchange for locally produced labour-intensive goods (light industry products, textiles, crafts, agricultural produce). Problems of the country's technological development are considered in the same vein. The authors, who recommend independent development and improvement of technologies in "relatively mature sectors" (textiles, food, etc.), urge China to develop the most advanced and technologically complex industries (electronics, etc.) by relying mostly on cheaper foreign equipment and technologies that are of a better quality.<sup>33</sup>

Therefore, the doctrine of "comparative production costs" supplemented with the world market price orientation places China's economy in a situation determined not so much by the needs of internal socio-economic

development as by strictly extraneous factors; it triggers the mechanism of technological dependence, and impedes the process of industrialisation and diversification of social production. Soviet economists justly observe that such a pattern of advancement is possible only in sectors which outlive their usefulness in a developed economy. In today's world this means an "imitative", catch-up-with-them type of development which benefits not so much the backward nations as the industrialised imperialist centres and biggest monopolies.<sup>34</sup> Its logical outcome is growing dependence of the national economy on external economic ties and conservation of economic backwardness. The sentiment that, despite its "reference value", Ricardo's theory of "comparative production costs" cannot serve as a guiding idea of socialist foreign trade of China<sup>35</sup> was voiced not accidentally at a symposium on strategies for foreign economic ties of China held in Peking in December 1982. Such an assessment of Chinese economists appears well founded.

Finally, there are also strong doubts about the experts' proposals on large-scale decentralisation of the management of foreign economic ties. It is no secret that during its foreign trade reform China acquired definite and highly controversial experience. In particular, having expanded the network of central companies of the Ministry of Economic Relations with Foreign Countries and Ministry of Foreign Trade, China has, in recent years, multiplied various local and sectoral foreign trade companies and substantially extended foreign economic rights of local authorities, state enterprises and other economic units.

That was a major factor in the obvious growth of China's foreign trade and more active participation in international division of labour. But from the point of view of its national economy, these developments are largely offset by elements marked by lack of control and organisation in the foreign economic sphere.

For example, in his report to the 4th session of the National People's Congress of the 6th convocation (March 1986) Premier Zhao Ziyang highlighted alarming manifestations of "blind competition" between foreign trade companies vying for export and import deals, duplication of imports, excessive inflows of some consumer goods.<sup>36</sup> These facts introduce dislocations into the uniform policy of foreign trade prices, worsen conditions for the production and marketing of a whole number of products within the country. China is witnessing a marked increase in economic crime which acquires a dangerous character as it extends to big state enterprises and organisations, drawing them into unlawful transactions in imported goods and foreign exchange.<sup>37</sup>

Thus the results of China's policy of limited decentralisation in foreign trade do not always promote the effectiveness of foreign economic activities. Experience shows that foreign trade reform measures often impede concerted efforts of numerous Chinese enterprises and organisations on the external market, complicate planned management and state control in the foreign economic sphere, thus affecting the stability of the economic, monetary and social situation in the PRC. Under the circumstances, consistent implementation of the Bank's recommendations concerning management of foreign economic ties would, in fact, mean renunciation of state monopoly in foreign trade and state monetary monopoly which, as is well known, belong to the category of the most important elements of the socialist economic mechanism. The inevitable result will be the economy's growing dependence on unpredictable fluctuations in the world capitalist economy and on penetration of foreign capital.

These, in the final analysis, are the objectives pursued in the foreign economic recommendations of the Bank. Advancing as axiomatic the thesis of an exclusively beneficial effect of foreign investments on China's economic advancement, the authors approve of the consistent liberalisa-



tion of the "investment climate" for foreign capital which has been carried out by China in recent years. Furthermore, in urging the country to take further steps in this direction, they recommend extending to the entire territory the considerable investment, tax and other privileges that are so far enjoyed by foreign investors in rather limited special economic zones, as they are called. Economic development prospects of China are thus hinged, to a certain extent, upon the functioning of foreign capital.

The above shows that the external façade of the seemingly well-founded report and its authors' claims to impartial theoretical analysis disguises the definite intention of China's imperialist partners to propel it on to the road of non-socialist development, to bring it to a point beyond which, in a figurative expression of R. Huber, a representative of a leading transnational bank, there will be no return to the old way of life.<sup>38</sup> The proposals of the Bank's experts run contrary to the Chinese people's vital interests. They are goading China into a submissive, dependent position in the world capitalist economy.

#### NOTES:

- <sup>1</sup> *China: Long-Term Development Issues and Options*, The report of a mission sent to China by the World Bank, Washington, 1985.
- <sup>2</sup> *Jingji ribao*, Nov. 5, 13, 1985.
- <sup>3</sup> *China Daily*, Oct. 23, 1985.
- <sup>4</sup> *China: Long-Term Development...*, p. 23; *Development Cooperation*, Paris, 1983, pp. 247-248.
- <sup>5</sup> L. Z. Zevin, *Countries with Different Development Levels in World Economy: Problems of Economic Relations*, Moscow, 1985, p. 8 (in Russian).
- <sup>6</sup> *China: Long-Term Development...*, p. 23.
- <sup>7</sup> *Ibid.*, p. 37.
- <sup>8</sup> *Ibid.*, p. 160.
- <sup>9</sup> *Ibid.*, p. 150.
- <sup>10</sup> *Ibid.*, p. 54.
- <sup>11</sup> *Renmin ribao*, March 3, 1985.
- <sup>12</sup> *China: Long-Term Development...*, p. 28.
- <sup>13</sup> *Ibid.*, p. 161.
- <sup>14</sup> *Ibid.*, p. 150.
- <sup>15</sup> *Jingji cankao*, April 9, 1985.
- <sup>16</sup> *Renmin ribao*, March 1, 1986; *Zhongguo tongji nianjian 1985*, Peking, 1985, p. 532.
- <sup>17</sup> *Guangming ribao*, Jan. 4, 1986.
- <sup>18</sup> *China: Long-Term Development...*, p. 165.
- <sup>19</sup> *Ibid.*, pp. 133, 166, 171.
- <sup>20</sup> *Ibid.*, p. 166.
- <sup>21</sup> *Ibid.*, p. 177.
- <sup>22</sup> *Hongqi*, No. 5, 1982; *Zhongguo tongji zhaiyao*, 1985, p. 24.
- <sup>23</sup> *Jingji yanjiu*, 1984, No. 7, p. 17.
- <sup>24</sup> P. Bunich, "Centralised Management and Independence of Enterprises", *Questions of Economics*, 1985, No. 9, p. 55 (in Russian).
- <sup>25</sup> *China: Long-Term Development...*, p. 171.
- <sup>26</sup> *Ibid.*, p. 146; *Zhongguo tongji zhaiyao*, 1985, p. 66.
- <sup>27</sup> These calculations are based on the fact that the current level of the state budget investments account for some 40 per cent of the total volume of state capital expenditures (*Zhongguo tongji nianjian*, 1984, Peking, 1984, p. 302).
- <sup>28</sup> *China: Long-Term Development...*, p. 162.
- <sup>29</sup> *Guangming ribao*, Jan. 4, 1986.
- <sup>30</sup> *Ibidem.*
- <sup>31</sup> *China: Long-Term Development...*, p. 98.
- <sup>32</sup> *Ibid.*, pp. 98-101.
- <sup>33</sup> *Ibid.*, p. 114.
- <sup>34</sup> E. E. Obminsky, *Developing Countries and the International Division of Labour*, Moscow, 1977, Chapter III; L. Z. Zevin, *Op. cit.*, p. 29 (in Russian).
- <sup>35</sup> *Guoji maoyi wenti*, 1983, No. 2, p. 5.
- <sup>36</sup> *Renmin ribao*, April 14, 1986.
- <sup>37</sup> *China Daily*, July 31, 1986.
- <sup>38</sup> *The New York Times*, Nov. 27, 1985.

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## CHINESE ECONOMISTS ON BANKRUPTCIES

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Revitalisation of factories (especially large and medium-size ones) is among the major objectives of the current economic reform in China.<sup>1</sup> The Chinese press has been lively discussing ways of broadening the socialist enterprises' rights and enhancing their economic responsibility, as well as building an integral system of efficient factory management and operation. A national conference on economic affairs held in February 1985 discussed ways and means of "revitalising" large and medium-size state-run factories, and set the following ten guidelines:

- introduction, as soon as possible, of a system of factory managers' personal responsibility and the setting up of innovators' research teams;
- enhancement of the competitiveness of basic products in accordance with market requirements;
- enforcement of the principle of one-man management in combination with other forms of management and promotion of development of various types of economic agencies;
- reduction in the consumption of energy resources and raw materials;
- steady reduction of the regulatory tax imposed on the front-ranking major enterprises;
- establishment of an industrial equipment market and material resources trade centres;
- permission for major and medium-size factories to engage in export-import operations;
- flexibility of the economic directive plans;
- dependence of pay on labour efficiency;
- improvement of the organisation of existing companies and reform of the control and management systems of major enterprises<sup>2</sup>.

As they searched for ways of revitalising the economy and raising economic efficiency in the mid-1980s, Chinese economists devoted special attention to the destiny of backward and unprofitable factories. Many then agreed that those factories should be declared bankrupt and closed down.

On December 3, 1986, China's national papers published a "Law on Bankruptcies" passed at the 18th session of the Standing Committee of the 6th National People's Congress the day before.

The Law on Bankruptcies emerged at the end of a lengthy debate in the Chinese press that involved China's prominent scientists and experts.

The problem of bankrupt factories was first raised in 1980, as economists discussed "socialist competition". Later it was not discussed in particular but was repeatedly touched upon in this or that form, also in connection with the subject of "competition laws" under socialism.

In 1984, the Chinese press commenced an active debate on whether it was possible and necessary, under socialism, to declare certain enterprises bankrupt, and called for a special "law on bankruptcies".

As they raised the issue of bankrupt factories under socialism, Chinese economists first of all explained why it had to be raised. To substantiate the need to declare certain factories bankrupt and to pass a bankruptcy law, they cited examples of factories that were unprofitable because they were technologically obsolete and/or because they were run inefficiently and often incompetently. According to Chinese economist Yan

Kalin, China had 9,660 unprofitable enterprises in 1980, with losses totalling 3.2 billion yuan; in 1982, the figures grew to 10,898 and 4.2 billion respectively.<sup>3</sup> In 1983, the overall losses of state-owned enterprises totalled 18 per cent of the national income.<sup>4</sup> As the state-run enterprises were granted more freedom and competition among them was enhanced; as the equal-pay principle was discarded and especially after taxation was introduced at all industrial, transport and trade enterprises, instead of the former profit-deduction system, the situation improved considerably, though not enough to resolve the problem of bankrupt enterprises.

By the mid-1980s, up to 20-30 per cent of China's factories remained unprofitable (and in some regions, even more than that), mostly because they were poorly equipped, had obsolete technology low-skilled personnel, etc.<sup>5</sup>

The problems of revitalising and reorganising industries and closing down factories that had to be constantly subsidised remained exceptionally topical. *China Daily* carried a story about a chemical plant that was the state's dependent for more than sixteen years. The plant's own assets totalled 10 million yuan and from 1967 to 1976 its losses amounted to 9.6 million yuan. In 1983, its overall losses reached more than 25 million yuan (having exceeded by 150 per cent the plant's assets). As an argument in favour of a bankruptcy law, the daily pointed out that if the plant had been declared bankrupt earlier, the state would have lost 10 million yuan, and not 25 million.<sup>6</sup>

Describing the problem of unprofitable factories, many economists expressed regret that those factories had been kept afloat and offered all kinds of privileges for a long time. Some enterprises sustained major losses that brought them to the point of bankruptcy—but their existence was never called in question because of state assistance. According to Chinese economist Zheng You, that attitude of the state brought about some sort of "paternalist" relations.

In other words, the state adopted a paternal attitude to its "baby-factories".<sup>7</sup> Besides, Yan Kalin points out, many had come to regard the state as "a big store" where they could take as much of everything as they wanted and spend it all just as they pleased and still stay in business. Those "paternalist" relations brought about a situation where many factories got used to leaning heavily on state subsidies, which impeded the development of initiative at these enterprises, slowed down the introduction of modern technology, lowered managerial efficiency, and led to major production losses.

As they highlighted the problems in the state-owned factories' management system, Chinese economists pointed out that the maintenance of unprofitable factories was also a result of the equal-pay policy. For a long time this policy was regarded as an advantage of socialism but, in fact, it discredits socialism.<sup>8</sup>

In substantiating the need for a bankruptcy law, many Chinese economists said that socialist economy was "a planned commodity economy", governed by commodity-production laws: those of value, demand and supply, and competition. Economist Li Baihan of Shangdong province indicates that the very logic of the commodity production development leads to the possibility of bankruptcies as "a special capitalist category", making it necessary to introduce the status of "a bankrupt enterprise" under socialism, too.<sup>9</sup> While many Chinese economists said the unprofitable factories had to go because they were a drag on the state, Li Baihan, Ni Jixiang and some others proposed "a bankruptcy system" proceeding from the general principles of a commodity economy, above all the laws of value and competition. Ni Jixiang expresses his views in the most explicit way. He says that bankrupt factories "emerged as an inevitable result of the advancement of the socialist commodity economy fol-

lowing from the law of value, the law of demand and supply, and especially the law of competition".<sup>10</sup> According to Ni Jixiang, the objectives of socialist production should be attained through competition which names winners and losers; proportions in economic planning should be set with due regard for the laws of value and competition. As for the principle of distribution according to work done, the economist interprets it in such a way as to keep factories competitive.<sup>11</sup> In his opinion, the laws of commodity production function in fact spontaneously, selecting winners and losers, establishing the necessary balance and raising economic efficiency. This approach to regulation of the socialist economy obliterates the distinctions between the capitalist and the socialist economic management systems.

That approach drew a mixed response from Chinese economists. In the course of a debate in *Jingjixue zhoubao*, some of them basically supported it, only taking some of the edge off the recommendations concerning commodity-related regulation of the socialist economy. Fan Jiangchun pointed out, for instance, that selection of the strongest in competition was "in line with the principles of a socialist commodity economy", that "a bankruptcy system" was "necessary", and that without it socialism "would not be able to make the state rich and strong and the people prosperous". Other economists (Lin Qiping, Zhang Deyu, for instance) disagreed with Ni Jixiang that competition could select the best and the worst factories in a practically spontaneous process.

The problem of bankruptcies, indicated Li Qiping, should be handled on the basis of planning, with the state's direct participation.<sup>12</sup> According to Zhang Deyu, Ni Jixiang's bankruptcy concept is "theoretically disputable and practically inconsistent", for it is based on the laws of a commodity economy in general, an abstract commodity economy which just does not exist: in real life, there is always a concrete commodity economy determined by certain economic conditions and relations.<sup>13</sup>

Many Chinese economists tried to bring out distinctions between bankruptcies of enterprises under socialism and under capitalism, others said that under both systems bankruptcies were the same. For example, Xiao Yan said bankruptcies were the same because commodity production existed under socialism as well as under capitalism, with "common" features under both systems, and because there was competition with the possibility of winners and losers ("survival of the fittest"). The closing down (bankruptcy) of enterprises, Xiao Yan pointed out, "is by no means a special feature of capitalist economies"—it is "common for commodity economies as an inevitable result of market competition and self-support".<sup>14</sup> But, as he delved into the differences between bankruptcies under capitalism and under socialism, Xiao Yan came to acknowledge that the profound causes of bankruptcies under capitalism were regular crises and the operations of monopolies. Other economists (Zhang Deyu, for instance) emphasised the differences between the capitalist and socialist commodity economies, and firmly asserted that bankruptcies under capitalism were due to economic crises and stiff competition plus private ownership of the means of production. In a socialist commodity economy, the laws of commodity production can be explored and utilised on the basis of planning. Consequently those laws function in accordance with the fundamental economic law of socialism, to promote a proportionate and efficient development of the entire system of social production without detriment to productive forces. As for competition among commodity-producers, indicates Zhang Deyu, it is not characteristic of relations among socialist enterprises. Competition under socialism promotes technological development of factories and raises efficiency. It should result in steady common advance towards prosperity, and not in bankruptcies as it does under capitalism. Zhang Deyu concludes that bankruptcies "are

by no means an inevitable result of the advancement of the socialist commodity economy" and that they cannot be regarded as following from the law of value, the law of demand and supply, or the law of competition.<sup>15</sup>

Criticising the views of Ni Jixiang, Lin Qiping indicates, in his turn, that bankruptcies under socialism are essentially different from bankruptcies under capitalism. Under socialism, bankrupt factories cannot be put to the survival test in the course of competition but should be "closed down, merged, or transformed" on the basis of national planning.

Another essential feature of bankruptcies under socialism distinguishing them from capitalist bankruptcies (which is emphasised by many Chinese economists) is that socialist enterprises are public property, so if they go bankrupt, they are merely transferred to the ownership of other state-owned enterprises (through settlement, sale, or otherwise). The form of ownership does not change in this case—the personnel of a bankrupt factory still remain the co-owners of public property. Therefore it would be wrong to say that a state-owned property goes bankrupt. If a capitalist goes bankrupt, he yields to other capitalists the "four rights"—the rights to own, to possess, to manage, and to use his property. Therefore, Lin Qiping points out, in a commodity economy developing on the basis of national planning, it would be more appropriate to speak of closing down, merging, and transforming factories, and not of bankruptcies.<sup>16</sup> This approach has been supported by other Chinese economists. We can say in this connection that the conclusion about the inalterability of the state ownership is justified, but the enormous losses incurred by bankrupt factories substantially affect state property; it certainly lowers economic efficiency and the prestige of socialist ownership.

In the course of the debate, even as they recognised the need for and the possibility of a bankruptcy law under socialism, Chinese economists devoted much attention to the question in what particular cases socialist enterprises should be declared bankrupt. They said different criteria had to be elaborated for state-owned factories, on the one hand, and for cooperative and individual enterprises, on the other. Some economists presumed that the concept of bankruptcy was inapplicable to state-run factories, whose means of production remained public property at all times and could not be used by their managers at their discretion. Those experts believed that only cooperative and individual enterprises could be declared bankrupt.<sup>17</sup> Other economists disagreed, indicating that this approach violated the principle of enterprises' equality before the socialist law (in terms of debt payment, for instance) and granted unmerited privileges to state-owned factories. This would in no way promote efficiency in production. They also said that enactment of a bankruptcy law for state-owned factories was a major means of enforcing the principle of self-support.<sup>18</sup>

Most Chinese economists agreed that any enterprise could be declared bankrupt, regardless of the form of ownership; but it was necessary to set different and "reasonable bankruptcy criteria" for state-owned, cooperative and individual enterprises. Quantitative limits of responsibility should vary with the form of ownership, they said, because state-owned factories differ from cooperative and individual enterprises in sources of fixed assets and, therefore, have different rights concerning those assets. As for cooperative and individual enterprises, which own their fixed assets, they can be declared bankrupt only if they fail to pay their debts and to pursue reproduction. In the case of state-owned factories the problem is more complex since, in contrast with cooperative and individual enterprises, they are linked by more or less close financial and economic ties with the state and also with their partners.

So, what enterprise can be considered bankrupt? Opinions differ on this question. Ni Jixiang, Fan Jiangchun, and some others say that any loser in competition is bankrupt. But most economists maintain that bank-

ruptcy implies a state in which a factory fails to sell its products under normal conditions of production, when its expenses are not repaid and its financial losses continue to grow, and when it has no money to pay its personnel, to acquire fixed assets, or replenish current assets. To be declared bankrupt, a factory should remain in this condition for at least two years.<sup>19</sup> Another opinion is that an enterprise can be declared bankrupt if it fails to settle its debts at the appropriate time and if the debts grow to exceed the value of its assets.<sup>20</sup> But if the cost of factory's assets exceeds the sum of its debts, other forms should be used to settle the problem.<sup>21</sup> Yan Kalin maintains that decisions on factory bankruptcies should necessarily take into account a type of enterprise and depend on the size of losses and on the length of the factory's unprofitable operation.<sup>22</sup> Cao Xiyuan of the Technology and Economics Center under the PRC State Council proposed in this connection that banks should be forbidden to grant loans to factories whose aggregate losses are estimated at 50 to 80 per cent of their overall assets.<sup>23</sup> A bank doing business with a bankrupt enterprise should notify in advance the economic agencies linked with that enterprise about their partner's financial and economic situation. The bank may render certain support to that enterprise, for instance, by not imposing fines.

In examining the factors that cause bankruptcies, many Chinese economists summed them up as follows: first, a shaky material base—obsolete technology and equipment, poor quality and high production cost of output; second, the human factor—inefficient management unable to prevent aggravation of a factory's problems, and low level of the personnel's conscientiousness and labour activity. So, if factories are to be saved from bankruptcy, extra efforts should be made to eliminate these two groups of factors.

The view advocated by Lin Qiping, Yan Kalin and others that bankrupt factories should be closed down looks much more preferable. Elimination of hopelessly unprofitable enterprises is justified both economically and morally. Elimination or reorganisation of those factories should not be fully identified with real bankruptcy. For in this case bankruptcy is rather a form than a contents of this process. However, if a factory is declared bankrupt in the course of competition—a way favoured by many economists in China—that would be real bankruptcy. In admitting a certain possibility of competition among factories under socialism, one should bear in mind that competition should be regulated not by the law of value or, rather, not by that law principally, but by the law of demand and supply; the decisive criterion should be performance in competition for the quality of goods and for satisfaction of the consumer's demands, and not in price competition. Quality competition may be supplemented, in a certain measure, by price competition. But if the quality is good, in many cases buyers will not be scared away by high prices. This can be illustrated by numerous examples. A factory producing high-quality expensive goods can always shift to lower-priced commodities in the event of marketing problems. The possibility of bankruptcy is lower in this case.

If a factory does go bankrupt, Chinese economists point out, this entails a number of measures following a special procedure. The factory is closed down and is called to account by the state and economic authorities concerned. Bankruptcy means, above all, that the factory is stripped of the right to manage its means of production. Many believe that a bankrupt factory's property should be sold by auction with the proceeds used to pay its debts. If the debts are bigger than the proceeds, part of the debts is paid by the state; if the proceeds are bigger than the debts, the remainder is added to state property. The factory's cadre workers are given lower-paid jobs. As for a small number of persons in leading positions, including engineering staff and specialists,

they are fined and exposed to administrative and even to legal responsibility. Party members are subject to party sanctions.<sup>24</sup> Rank-and-file workers, just as the *ganbu*, are transferred to the category of job-seekers and look for jobs on their own or apply to employment bureaus.

All Chinese economists without exception emphasise that declaration of bankruptcies under socialism should strictly be in line with socialist principles. When a factory goes bankrupt, the state should provide its personnel with allround assistance. They should be given jobs in accordance with their training or opportunity to upgrade their skills or to learn new trades. Proposals have been made on the establishment of a system of insurance benefits for employees of bankrupt factories. A special fund can be built up from regular deductions of five to eight per cent of the pay of all industrial workers.<sup>25</sup> When a factory is closed down, its entire work force, except for the managerial staff, should receive benefits.<sup>26</sup>

Many economists still maintain that conditions have not yet ripened for the introduction of a "bankruptcy system". They outline a number of internal factors like the low level of management, insufficient skills of personnel, as well as some external factors like an unreasonable system of prices, excessive state interference in factory management, absence of a system of social guarantees for closed down factories, etc. Economist Cherf Yongjie, for instance, while accepting these arguments, says it is necessary to introduce resolutely a "bankruptcy system" without waiting for conditions to ripen. He maintains that enactment of a bankruptcy law will make factories pay constant attention to price regulation: they will not seek to push the prices of their products high but will concentrate on making those products more competitive.

These arguments do not look very convincing, for in a situation where many commodities are in short supply, reasonable competitiveness can be ensured even when prices are raised. Competitiveness can also be ensured if an enterprise holds a monopoly in an industry and in some other cases. It is highly improbable, too, that government bodies may lessen their interference in factory management. In fact, a bankruptcy law may gear ministries towards greater interference in the management of "their" factories so as to help them avoid bankruptcy. Zhen You believes, for instance, that bankruptcies may reduce the production potential of an industry and give rise to fears that the target figures may not be reached—with the result that the ministries' interference in factory management may increase.<sup>27</sup>

Many economists in China maintain that the primary condition for the enactment of a bankruptcy law is the development of a socialist commodity economy, with promotion of every factory's status as a relatively independent commodity-producer operating on the principles of cost-accounting and self-support, in accordance with the laws of commodity production. Yan Kalin stresses the need for a steady promotion of factories' independence and neutralisation of the effects of the "company disease", that is to reorganise the system of economic management, streamline the managerial structures of factories and associations, which in recent years have grown more complex structurally and increased pressure on factories and interference in their affairs. Another proposal is to reform the labour resources management system, with a more active role reserved for employment bureaus.<sup>28</sup> In addition, the Chinese press highlights on the need for a clear-cut division of the rights of ownership and of management between the state and enterprises. According to Zhen You, the principle of a factory's full economic responsibility for the means of production it receives, as well as for its profits and losses, is "the theoretical foundation of the legislation on the bankruptcy of enterprises."<sup>29</sup>

It should be noted in this connection that the adoption of the "bankruptcy law" is, in a certain sense, a completion and a relatively integral

expression of the concept of a "planned commodity economy", advanced at the Third Plenum of the CPC Central Committee (12th convocation). The recognition of the necessity and the possibility of socialist factories' bankruptcy adds a new factor to the mechanism of a real commodity economy: first, the important regulatory role of the law of value is recognised, competition (the law of competition) and, finally, bankruptcies. It is precisely the concept of bankruptcy that provides a solid, real and informal basis for the development of "socialist competition" in China. This has been stressed by many Chinese economists.<sup>30</sup>

Chinese experts said a bankruptcy law was needed because backward, unprofitable factories had to be eliminated so as to raise considerably efficiency in China's entire economy. The bankruptcy law was supposed to develop the state-owned factories' sense of responsibility for their own destiny and to cultivate "a feeling of anxiety" in their employees and also encourage their more active involvement in factory affairs. It was intended to provide for a more democratic system of factory management, to enhance the constructive effect of managerial decisions, as well as to promote thrift and practicality. Every factory will have to invest more efforts to raise the quality and reduce the cost of its products, thus making them more competitive. Fan Jiangchun believes the bankruptcy law will encourage the smaller factories to unite or merge with the larger ones in order to keep afloat in the competition. Besides, technology will be renewed, energetic and enterprising workers will appear, and so on.<sup>31</sup> Zeng Zheng and Chen Xiangguang add that the introduction of the "bankruptcy system" will restrain the excessively rapid growth of factory consumption funds, enhance technological development, reduce non-productive investments, encourage managers to use credits for reconstruction, stop dissipation of funds, keep investments within reasonable limits and teach all employees to be thrifty. Lastly, the system should lead to the awareness that own funds should be built and increased, to guarantee the factory from sliding down to bankruptcy.<sup>32</sup>

The bankruptcy law is likely to give a certain positive impetus to China's economy, for it provides for elimination of long-obsolete enterprises, concentration of resources and specialists, and cultivation of a sense of responsibility to replace parasitical attitudes in many employees of state-owned factories. But it is hardly reasonable to place too great hopes in the bankruptcy law, like the hopes expressed by Fan Jiangchun, Zeng Zheng and some other economists. The bankruptcy law is not a panacea or magic that will bring about a rapid change for the better. Under socialism, declaration of bankruptcy should be regarded as "the last recourse", as Li Quande put it,<sup>33</sup> prior to which it is necessary to "make every effort to save"<sup>34</sup> the backward enterprise, employing all the means and methods available to socialism.

Leasing state-owned socialist enterprises has been mentioned among the most effective methods of pulling those enterprises out of bankruptcy. Some time ago, the Chinese press publicised an experiment that started in August 1986 in Wuhan, where a number of state-owned industrial facilities, trade agencies, and other enterprises have been granted on lease. Auctions are held where unprofitable factories are put up for lease. They can be leased by individuals or groups of persons, *ganbu* and rank-and-file workers alike. A motor plant in Wuhan with a work force of 1,500 people faced bankruptcy (its debts totalled 12 million yuan, while its overall property cost 15 million), when it was taken on lease by 21 of its employees. Even though the experiment started only a short time ago, indicates *Jingji ribao*, 35 of the formerly unprofitable small and medium-size factories of Wuhan have started making profit.<sup>35</sup>

The advantages of socialism should be measured not only by political system, humanism, and social benefits, but also by economic achieve-



ments, high labour productivity, and efficiency. So the bankruptcy law should play a regulatory role, strengthening the economic system of socialism and mobilising its economic advantages. The opportunity to declare a factory bankrupt should probably be regarded as one of the regulatory instruments used in accordance with national plans to raise efficiency at state-owned factories. But one should not exaggerate that instrument's role in an allround industrial revival, for that will be a complex and diversified process.

The enforcement of the bankruptcy law can hardly be very smooth; it is bound to entail some obvious negative effects. First of all, the process will evidently be impeded by the forces born, primarily, by departmental interests, for declaration of bankruptcies will lead to a certain reduction of the production potentials of some industries or regions, which may complicate the fulfilment of economic plans. Bankruptcies will revive to some extent the problem of unemployment, which will probably give rise to opposition, especially from local authorities for which that problem may become quite a challenge, unless a national state-run employment system is established.

So among possible negative affects of introduction of the bankruptcy law "the biggest problem is unemployment".<sup>36</sup> That is really a challenge for China. It was only recently that the country managed to make a headway in the solution of the problem of "job-seekers". The personnel of bankrupt factories will increase the number of people out of work, aggravating the problem once again. But this, Fan Jiangchun believes, cannot call in question the introduction of the bankruptcy law. Especially because immediately after its enactment there will not be too many jobless workers, since management is expected to be improved and also because "the initial stage of the establishment of a commodity economy" in China provides broad prospects for development—and for absorption of manpower.<sup>37</sup> Similar views are advocated by other Chinese economists.<sup>38</sup> Their optimism and consistency in advocating the idea are certainly a positive factor. Time will show how much of their optimism is justified. But apart from unemployment, the application of the bankruptcy law may lead to lower living standards for many people (while a bankrupt factory's affairs are being settled), put many people on the dole until they get new jobs, and give rise to elements of social tensions, uncertainty, and all sorts of professional and human conflicts. Yan Kalin is right in saying that "you don't stop eating just because you once choked with something". The socialist state will not abandon the people but will try to resolve their problems. The question is: will the economic effect resulting from the bankruptcy system outweigh the corresponding negative social effect? It's too early to draw conclusions. Practical answers will be provided by experience.

By the time the bankruptcy law was adopted in China in December 1986, the nation had gained some experience in saving factories that faced bankruptcy, eliminating unprofitable enterprises, and behaving in bankruptcy-related situations.<sup>39</sup> An experiment was started in Shenyang in early 1985, in which cooperative industrial facilities going bankrupt were closed down.

The elimination and reorganisation of unprofitable nitrogen-fertilizer plants between 1978 and 1981 reduced losses from 600 million yuan to 40 million. The elimination and reorientation of unprofitable small steel-works in 1978-1982 cut their losses from 630 million yuan down to 70 million. The closing down of unprofitable facilities saved funds and resources and also promoted a dynamic development of other factories. At the same time the interests of the bankrupt factories' employees were subjected to "certain infringement".<sup>40</sup> There were reports in the Chinese press about the bankruptcy of a shoe factory in Tianjin.<sup>41</sup> It went bankrupt

because of poor management and the personnel's low skills. The factory's operation was stopped, but the equipment remained where it was and the employees were not dismissed. The plan was to revitalise it through efficient management.

In accordance with the terms of the Shenyang experiment, a factory must be considered bankrupt if its overall debts equal or exceed its assets, or if it incurs losses exceeding 80 per cent of the value of its assets for two years running without the unfavourable influence of objective ("political") factors. In that case the factory is provided with allround assistance for a year. If that fails the factory is finally declared bankrupt, with all its assets frozen and the manager's responsibility investigated. For six months the employees of such factories receive lower pay and, after that, subsistence allowances. The managerial staff are denied all pay from the moment their factory is declared bankrupt, they just get an allowance.<sup>42</sup>

The theoretical debates on the need for a bankruptcy law in China, familiarisation with Hungarian economists' views on the problem,<sup>43</sup> examination of the American experience in overcoming bankruptcies and some practical experience accumulated in the past few years—all this was summed up in the development of the "Law of the People's Republic of China on the Bankruptcy of Enterprises".

#### NOTES:

- <sup>1</sup> *Jingji ribao*, Nov. 17, 1984.
- <sup>2</sup> *Jingjixue zhoubao*, June 2, 1985, No. 22.
- <sup>3</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>4</sup> *Ibidem*; *China Daily*, Jan. 7, 1985.
- <sup>5</sup> *Beijing ribao*, Oct. 19, 1984; *Jingji ribao*, April 8, 1986. In 1986, more than 1,600 state-owned factories out of China's 6,000 were unprofitable.
- <sup>6</sup> *China Daily*, May 25, 1985.
- <sup>7</sup> *Jingjixue zhoubao*, March 16, 1986, p. 7.
- <sup>8</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>9</sup> *Jingjixue zhoubao*, June 2, 1985, p. 7.
- <sup>10</sup> *Ibidem*.
- <sup>11</sup> *Jingjixue zhoubao*, March 24, 1985.
- <sup>12</sup> *Ibidem*, June 2, 1985.
- <sup>13</sup> *Jingjixue zhoubao*, June 2, 1985.
- <sup>14</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>15</sup> *Jingjixue zhoubao*, June 2, 1985.
- <sup>16</sup> *Ibidem*.
- <sup>17</sup> *Shehuikexue*, 1984, No. 11.
- <sup>18</sup> *Jingjixue wenzhai*, 1985, No. 2, p. 25.
- <sup>19</sup> *Jingjixue zhoubao*, June 2, 1985, p. 7.
- <sup>20</sup> *China Daily*, Sept. 8, 1984; May 25, 1985.
- <sup>21</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>22</sup> *Ibidem*.
- <sup>23</sup> *Beijing ribao*, Oct. 19, 1984; *China Daily*, Sept. 8, 1984.
- <sup>24</sup> These measures are quite justified. In Lenin's opinion: "...trusts and factories have been founded on a self-supporting basis precisely in order that they themselves should be responsible and, moreover, fully responsible, for their enterprises working without a deficit. If it turns out that they have not achieved this, then... they must be prosecuted and punished as regards all the members of their boards of management, by prolonging terms of imprisonment (perhaps applying conditional release after a certain time), confiscation of all their property, etc." (V. I. Lenin, *Collected Works*, Vol. 35, p. 546).
- <sup>25</sup> *Beijing ribao*, Oct. 19, 1984; *China Daily*, Sept. 8, 1984.
- <sup>26</sup> An unemployment insurance system is being set up in China, for the employees of bankrupt factories and for workers whose contracts have expired or have been discontinued. The system is also intended for workers dismissed for breaches of discipline. They all receive subsidies of 50 to 75 per cent of their pay. Workers whose length of service exceeds five years are paid the allowance for two years; those with a length of service under five years receive it for one year only.
- <sup>27</sup> *Jingjixue zhoubao*, March 16, 1986.
- <sup>28</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>29</sup> *Jingjixue zhoubao*, March 16, 1986.
- <sup>30</sup> *Shihui linli daobao*, Jan. 7, 1985, p. 3; *Shehui kexue zhanxian*, 1985, No. 1.

- p. 36; *Jingjixue zhoubao*, March 16, 1986, p. 7.
- <sup>31</sup> *Jingjixue zhoubao*, March 16, 1986.
- <sup>32</sup> *Ibidem*.
- <sup>33</sup> *China Daily*, Sept. 8, 1984.
- <sup>34</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>35</sup> *Jingji ribao*, Nov. 20, 1986.
- <sup>36</sup> *Jingjixue zhoubao*, June 2, 1985.
- <sup>37</sup> *Ibidem*.
- <sup>38</sup> See, for example: Wang Haibo, "A Study of the Economic Problems of China's Industries", *Yunnan renmin chubanshe*, 1984, pp. 245-246.
- <sup>39</sup> *Renmin ribao*, Sept. 25, 1986.
- <sup>40</sup> *Beijing ribao*, Oct. 19, 1984.
- <sup>41</sup> *China Daily*, May 4, 1985.
- <sup>42</sup> *Heilongjiang ribao*, March 22, 1985.
- <sup>43</sup> *A Deficit Economy* by Hungarian economist János Kornai has been published in China (*Jingji kexue chubanshe*, 1986).
- <sup>44</sup> *China Daily*, May 4, 1985; *Jingji ribao*, Nov. 16, 1986.

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## REFORM OF MATERIAL-TECHNICAL SUPPLY IN CHINA

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[Article by T. Korobkina]

Reorganisation of the system of management of material and technical supply is a key element in China's economic reform. It is meant to ensure the implementation of such important aspects of the comprehensive reform as the promotion of enterprises' economic autonomy, restriction of the sphere of directive planning and extension of target planning, the formation of a single socialist market (including that of consumer goods, means of production, equipment and technology, capital, labour, etc.). This means that the system of material and technical supply will be brought in line with the requirements of socialist planned commodity economy and socialist market laws. At the same time, the reorganisation is to help reconcile supply and demand on a nationwide scale.<sup>1</sup>

The reform of the system of material and technical supply is based, above all, on the following theoretical premises: *recognition of means of production as commodities within the framework of public ownership* and the need for a switchover from state distribution to their circulation as commodities; a higher (compared with traditional notions) assessment of the role of circulation as a phase of social reproduction in the national economy, and of circulation functions regulating production. The reform of material and technical supply is part of a general reform of the entire system of circulation, including reforms of the system of circulation of industrial consumer goods and means of production, agricultural produce and products of supply-and-trade cooperatives; the system of market trade and of foreign trade management, of money circulation and price formation.

The immediate goal of the reform of material and technical supply is to make all enterprises (with rare exception) initially equal in terms of material supplies. Otherwise, some aspects of the economic reform may prove unreal. The reform is to be carried out through the commodity circulation of means of production, as in this case (as is theoretically presupposed) objective conditions and laws, rather than a subjective (administrative) will power, will regulate the distribution. It is not fortuitous that many Chinese economists strongly object non-economic interference by administrative bodies in the activities of fixed asset markets, supermarkets, trading companies, etc. The present-day Chinese economy can hardly meet all the existing requirements, while the market stimulates all economic units participating in it into tapping reserves to the maximum.

The reform of material and technical supply is connected with such fundamental principles of economic reorganisation as the division of administrative and economic functions, the overcoming of departmental and territorial barriers, elimination of monopolisation in any form, equalisation of economic rights of enterprises of different ownership using different economic methods, etc.

It should be noted that a favourable situation in the production of material resources promoted the reform. In 1984 the production of coal grew by 8 per cent, of rolled ferrous metals—13.5 per cent and cement—

12.8 per cent. In 1985 the state plan for the production of coal was overfulfilled by 6.1 mln tons; of rolled metal by 6.89 mln tons; cement—18.7 mln tons and timber—1.43 mln cu.m. Simultaneously, some qualitative indicators were improved. Specifically, at state-owned industrial enterprises the consumption of coal for the production of output worth 100 mln yuan was reduced in 1985 by 5.3 per cent, the consumption of rolled metal decreased by 4.8 per cent, and timber by 11.3 per cent.<sup>2</sup>

The implementation of the reform of the system of material circulation, like the entire economic reform, has been uneven in different periods and regions. Actively launched in the second half of 1984, it reached its peak in 1985, and then began to wane. The general results of 1985 show that the absence of macro-economic control and management, extra-plan production (and, accordingly, distribution) negatively affects planned production. That is why a number of resolutions and decisions toughening administrative and economic control were taken in 1986 as a natural reaction to these excesses. Territorially, the reform's uneven development is manifest in the fact that what is a reality for economically developed cities and regions is so far only a prospect—and quite a remote—for others.

The reform of material and technical supply should be analysed from two angles: transformation of the system of planned distribution, and development of the circulation of extra-plan means of production.

The system of the so-called *planned distribution* is based on the division of material resources into three groups, depending on their importance for the national economy and the degree of their scarcity: *material resources allotted by the state on a centralised basis* (rolled metal, non-ferrous metals, timber, cement, coal, black oil, rubber, sulphuric and nitric acids, automobiles, driving mechanisms); *material resources allotted by central industrial departments*, and *material resources allotted by local bodies*.

The formal structure of the system of management of material and technical supply has changed little over the last few years, but it has been filled with new content. The main goal of the reorganisation is to increase the flexibility of management, enhance the timeliness of its reaction to a new correlation between supply and demand, and strengthen direct contacts between manufacturers and consumers of means of production. The main components of the reform of the system of planned distribution can be defined in the following way: the narrowing of the sphere of centralised material distribution; changes in the forms of planned distribution and in the organisational structure of management at local levels, and the development of contractual relations.

*The narrowing of the sphere of centralised distribution is characterised* by the following data (in terms of kinds of material resources): 256 in 1979-1984; 65 in 1984; 23 in 1985.<sup>3</sup> The following table gives an idea of changes in the share of material resources in the sphere of directive

**The Share of Main Material Resources in the System of Directive Planned Distribution in the Total Volume of Their Production (in per cent)<sup>4</sup>**

	1983	1984	1985
Coal	85.3	76.0	50.6
Rolled stock	79.5	77.2	56.9
Timber	89.2	80.0	39.7
Cement	79.0	72.0	19.4

planned distribution.

As to the forms of planned distribution, along with supply according to centrally fixed indicators for especially scarce resources, there appear new, more flexible forms:

— supply in accordance with real requirements (material and technical supply bodies fix the volume of deliveries, doing without centrally fixed indicators of distribution);

— unlimited supply (consuming enterprises place in advance orders

with material and technical supply bodies for non-scarce resources, or buy the resources they need directly from these bodies, or from other departments).

*The Chinese Economic Yearbooks* have in recent years given space to such a new form of planned distribution as complete contractual deliveries of material resources. The number of major construction projects supplied with materials on contractual basis by the State Administration for Material and Technical Supply stood at 14 in 1983 and 50 in 1984, while the total capital investments in such projects amounted to 2.36 billion and 7.23 billion yuan.<sup>5</sup>

The *organisational structure of management* of material and technical supply is characterised by widely spreading *networks of branches* of central and local bodies maintaining direct contacts with suppliers. In 1979 the urban material-and-technical-supply network included some 8,700 enterprises, whereas in 1982 the figure was about 17,000, and in 1984—over 20,000.<sup>6</sup> The *development of various forms of associations* both within the system of material and technical supply (vertical and horizontal), and between the supplying and industrial enterprises is an important aspect in the upgrading of the organisational structure and forms of management of material and technical supply. The upgrading of organisational aspects of the activities of material-and-technical supply enterprises involves the so-called streamlining, specifically among the executives, which in 1984 was completed at 86 per cent of enterprises. Another significant sign is the growth in the provision of material-and-technical supply enterprises with computers. In 1984 their number rose more than five-fold as compared with 1983, to about 2,000.<sup>7</sup>

The development of *contractual relations* within the system of planned distribution is, perhaps, one of the most important fields of the system's reorganisation in the spirit of the economic reform. In fact, economic contracts as such are not something new in the management of the means of production movement in China. The problem was actively dealt with in theory in the first half of the 1960s, when many economists suggested working out enterprises' production programmes on the basis of economic contracts. Adequate practical steps were also taken at the time. The contractual system existed even before the current reorganisation, when part of the products covered by planned distribution were included in so-called sale and supply contracts, concluded at annual meetings of material-and-technical supply administrations within volumes fixed by the latter. The other part of the products was distributed through the administrations. Such a system hampered rational distribution of resources; resulted in shipments of means of production, often unjustified, especially given the shortage of transport, and compelled enterprises to secure themselves by stocking materials in volumes by far exceeding those required by technological norms. The problem of "small stores" (stores at enterprises) has not been solved to this day. For example, under conditions of general scarcity of steel and rolled metal, enterprises stocked them in volumes sufficient to last for next four-six months. The amount of rolled metal accumulated that way at "small stores" amounted at times to 20 mln tons, which aggravated the problem of supply, given the fact that the aggregate rolled metal output in the country stood at about 40 mln tons. Under present-day conditions, economic contracts in the system of centralised distribution are to help establish direct economic ties between supplying and consuming enterprises and reduce to some extent the interference of material-and-technical supply administrations. Xue Muqiao said that "unlike consumer goods, means of production are brought about in comparably large quantities, both supply and demand for them are rather stable. Therefore,

there is no need to supply a relatively large part of them through material-and-technical supply administrations. Manufacturers and consumers can conclude direct supply-and-sale contracts, not exceeding planned distribution standards. The other part of means of production should be at the disposal of specialised companies set up by the material-and-technical supply administrations to meet the requirements of small-scale or reorganising production."<sup>8</sup> The possibility of purchasing means of production in time will help overcome their shortage and solve the "small store" problem.

Practice has shown, however, that meeting supply obligations is one of the most difficult problems when organising a new centralised distribution under conditions of the economic reform.

In 1985 contracts in the system of centralised distribution were fulfilled only in relation to three kinds of resources, while deliveries of 12 other resources decreased in comparison with 1984.<sup>9</sup>

The main reason for this is, apparently, the difference in the prices of material resources within the centralised distribution system and beyond it. Although contract (or free) prices, which at the moment of their introduction exceeded twice or three times the centralised prices and have recently been tending downwards, they are still high enough. For example, the price of coal which is usually described as comparatively low, is still two times higher than the price of coal distributed centrally.

One should also take into account the fact that, in connection with the growth in prices of extra-plan means of production, provincial and municipal authorities were allowed (since 1984) to fix so-called temporary prices of a number of planned means of production. This has resulted in a rise in their state prices by 20 per cent across the country. On the whole, prices (planned and extra-plan) of 30 kinds of industrial raw materials grew by 31.5 per cent over the first quarter of 1985 alone.<sup>10</sup>

The national conference held in February 1986 to consider the work in the sphere of material resources suggested taking strict measures to tighten control over the observance of contracts and their compliance with the state distribution plan. In case an enterprise did not fulfill the state plan and contracts, the conference suggested suspending its right to an independent sale and, if it did not comply with the ban, confiscating the earned revenues through commerce-and-industry boards. It was pointed out that an adequate and comprehensive fulfilment of the state plan for material distribution should be the most important indicator of enterprise's fulfilment of the general state plan. This indicator should determine the size of an enterprise's bonus fund. The conference also proposed that enterprises inform the relevant bodies every quarter of the year of their fulfilment of the material distribution plans and contracts, to step up administrative control over them. At the same time, it was said that management bodies that fixed the material distribution plans for enterprises should provide them with the opportunity to produce above plan.<sup>11</sup>

Chinese economists propose that prices of raw materials and fuel be gradually increased in the system of centralised distribution, and the two levels of firm state and contract prices be brought closer, for solving the conflict. The problem is, however, that a comparatively small part of priority types of products are distributed on a centralised basis at present, and enterprises have to buy resources at contract prices by far exceeding state ones. To avoid a growth in the cost price of products, the economists suggest relaxation of taxation for a number of years and other measures as compensation for the increase in state firm prices of raw materials.

At the same time, low prices of raw materials are an obstacle to their saving, especially in the production of highly important goods.

So the reform of planned distribution is not as simple as that, and is carried out at an uneven pace, mainly because the desire to introduce economic methods in the sphere is countered with a need to preserve administrative control and regulation under conditions of scarcity. One could say that economic methods of management fundamentally contradict the basic principles of the centralised distribution system. At the same time, this field of economic activity cannot remain unchanged under the conditions of general reorganisation. A maximum narrowing of the framework of centralised distribution could be a way out of the situation. At present, the existence in China of two methods, the distribution by state and the market exchange, and of two kinds of prices (state firm and market), is necessary as a transitional measure. In future, however, the nomenclature and volume of centrally-distributed material resources will apparently have to be reduced, and more and more means of production launched to the market, provided state directive targets are reached.<sup>12</sup> Specifically, the task can be formulated as follows: the directive planned distribution should in the near future cover only products that meet the requirements of major state construction projects, war industry, exports, aid to other countries, and state reserves.<sup>13</sup>

*The introduction of independent sale by enterprises of their extra-plan and above-plan products* is the main field of the reform concerning the system of circulation of means of production. Under a provisional resolution of the PRC State Council on extending state-owned enterprises' economic autonomy (May 1984), the latter have been allowed, provided they fulfil the state plan, to market the following: products left at their disposal; products put out above the plan; new products put out by way of experiment; products not bought by supply-and-marketing organisations, and overstocked products. As to the most important types of centrally-distributed resources, enterprises have been allowed to market independently two per cent of the planned volume of production, and the whole amount of above-plan production of rolled ferrous metals, as well as the above-plan volume of pig iron, copper, aluminium, coal, cement, rubber, etc. Prices of products marketed by enterprises independently may differ from the prices of state-distributed products by 20 per cent.

Considering the forms of organisation of the movement of materials beyond the sphere of planned distribution, economists have in recent years been paying considerable attention to two ways of development: horizontal economic ties and various forms of market circulation of means of production, mainly the establishment of centres trading in means of production (material resources).

The establishment of *economic associations* is the main form of developing horizontal ties<sup>14</sup> within the system of material-and-technical supply and in its relations with industrial, trade, foreign-trade, research and other enterprises and organisations. The *economic associations* functioning at present can be classified thus:

- 1) Various forms of economic associations within the system of material and technical supply, both vertical (mainly, joint economic activities such as setting up companies, trade centres, etc., specialised companies of the State Administration for Material and Technical Supply, similar organisations at provincial and large-city levels) and horizontal (chiefly "economic cooperation zones", various forms of coordinating and regulating the circulation of means of production).

- 2) Associations, including enterprises of material-and-technical supply and those of other branches, mostly industrial. The main forms



are: economic activities on the basis of joint means, compensatory trade, cooperation exchange and so on.

A number of issues concerning distribution of material resources during the establishment of economic associations were reflected in a resolution of the State Administration for Material and Technical Supply on provisional methods of distribution, deliveries of material resources and the marketing of products by economic associations.<sup>15</sup>

The development of various forms of market circulation of the means of production (for example, on the basis of contractual relations) is, perhaps, an issue that economists discuss theoretically and in relation to practice.

According to incomplete data, in 1985 districts and enterprises received through the market 38 per cent of rolled metal, 46 per cent of timber, and 61 per cent of cement of the total volume of these resources consumed by local enterprises.<sup>16</sup>

There are quite a few forms of material circulation: markets of means of production, centres for purchasing and marketing material resources, centres for trading in means of production (material resources), specialised trading companies, etc. But surely the names and individual characteristics of the forms are not the thing that matters. As to essential differences, they are most clearly manifest if we compare markets of means of production and trading centres, which are a sign of a consistent development of commodity principles in the circulation of means of production. The example of Shanghai is promising, though not very typical, in this respect. In the second half of 1979, the Shanghai Administration for Material and Technical Supply created a composite market of means of production, and later two markets specialising in chemical products and ferrous raw materials. In 1984, the markets selling means of production were expanded and streamlined, while markets of chemical products and ferrous raw materials were transformed into trading centres. Besides, the administration set up additional trading centres to deal with products of mechanical engineering and electrical engineering, cars and spares and farm machinery, as well as a timber market, a firm trading in fuel, a material resources exchange, etc. At present work is in progress on a large complex centre that will trade in material resources. Covering an area of 40,000 square metres, it is expected to go into operation in 1987.<sup>17</sup> In Shanghai and other cities the setting up of many more trading centres began in the second half of 1984. There were 96 such centres by the end of 1984, with their number reaching 644 towards the close of 1985. The volume of bargains concluded through the centres in 1985 amounted to 10.5 billion yuan.<sup>18</sup>

Theoretically, a centre trading in material resources is an "association uniting many participants in joint economic activities. The association employs diverse service methods and performs various coordinating and regulating organisational functions."<sup>19</sup> From the standpoint of quality the trading centres, unlike the markets of means of production, aim at creating not only a buyers' market but, above all, a sellers' market. Herein (and in the multi-function nature of their activities) lies their main significance.

Speaking of the centres trading in material resources, one should consider the following: the types of trading centres, principles of their setting up and functioning, main forms of activities (including attraction of material resources), problems and main ways of improvement.

There are the following types of trading centres: complex or specialised (depending on the kinds of material resources); centres trading only in means of production or embracing industrial products and consumer goods; centres that are independent economic units or engage in joint economic activity with other centres, and so on. Yet the

division of trading centres into "economic" or "service" centres, depending on their functions, would be more important. The difference between them is that trading centres of the "service" type do not buy or sell means of production, they only create conditions for direct contacts between the seller and the buyer. They offer selling space and means (stores, transport, etc.) as well as various services (information, consultations, technological services including preventive maintenance and adjustment). They also engage in various activities on commission basis, making profits from payments for the services. The main aspect of the "economic" trading centres' activity is their independence on matters related to procurement and marketing of materials.

The trading centres in China are set up by material-and-technical supply bodies and also by industrial and trade administrations. Given an objective need and subjective conditions, they could be set up by management bodies practically at any level. But there are several restrictions. Indeed, the trading centres are, to a certain extent, a new stage in the development of material circulation (as compared with the markets of means of production). That is why they are established in economic centres, comparatively developed large and medium cities with an industrial base and the necessary transport facilities.

As a matter of fact, any enterprise or organisation (industrial, trading, or those dealing with material-and-technical supply) can set up a trading centre using various sources of funding: state capital investments, state-owned enterprises' own funds, bank credits, joint stock, funds of privately-owned enterprises, etc. However, the trading centres are set up largely by material-and-technical supply administrations (as well as specialised subsidiary companies) with the participation of supply-and-marketing administrations at industrial departments, manufacturing enterprises, trading organisations, commerce-and-industry boards of the given and other regions, and in some cases with the participation of foreign-trade and other organisations.

The so-called open type of economic activity, when sellers and buyers may belong to different departments, industries, regions, forms of ownership, etc., is the basic principle of the functioning of centres trading in material resources. As to the forms of ownership, trading centres should be one of the main forms of organised marketing of products made by enterprises of the cooperative and private sectors. As trading centres are primarily sellers' markets, the main principle of their activity should be complete equality of partner-sellers' rights and inadmissibility of monopoly economic activity in any form (this applies specifically to material-and-technical supply bodies which are the centres' organisers). Chinese economists hold that after a trading centre has been set up and entered the market, competition should become the main law regulating relations among the sellers acting on an equal footing. The involvement of manufacturing enterprises in marketing is very important for providing the trading centres with stable sources of goods.

Trading centres differ from the ordinary markets dealing in means of production by their diversity. The main forms of their work are joint economic activity and joint marketing, compensation trade, the processing of raw materials, various activities on commission basis (procurement and marketing, storage, leasing, etc.), the offering of selling space, technical means and services (technical services, consultations, information), etc.

As to the prices, they are quite diverse: centralised distribution prices, floating, contract, warranty (insurance), commission, as well as wholesale and retail prices. There are also prices determined by the quality and size of the lot of a material, etc.

The problem of the sources of materials is solved in different ways. There are no disagreements over the use by the trading centres of material resources covered by target planning and market regulation. But there are different opinions on material resources planned directly. A number of Chinese economists believe that the trading centres are a way for extra-plan material resources (i. e., not covered by the directive planning or produced above the directive plan) to enter the market. Others substantiate the need to draw a certain part of planned means of production to the market, since that would make possible mutual rotation of planned and extra-plan resources (or their mutual exchange and regulation). Moreover, economists hold that the marketing on a planned basis of "some major means of production... is an important form of participation by state material-and-technical supply administrations in the market regulation".<sup>20</sup> Practically, both principles are employed, but as to planned material resources, one can speak so far only of experiments and individual cases.

The main problems cropping up in the trading centres' activities can be divided into internal and external. The internal ones include, above all, difficulties in mutual relations of partners in the trading centres. Besides, there are financial difficulties, largely inevitable, especially as regards personnel issues. The main external problems are those of relations with various administrative bodies, first of all the material-and-technical supply administrations and their specialised subsidiary companies and supply warehouses. As most trading centres are set up by material-and-technical supply administrations, which are to share their rights, functions and ties, and coordinate their activities, there arises a problem of excessive control and patronising on the part of the administration. Besides, there are many cases when for various reasons (e. g. objective ones such as personnel shortage) the leading posts in trading centres and administrative bodies, material-and-technical supply administrations among them, are held by the same people.

As regards relations between trading centres and specialised companies and warehouses, one should take into account the fact that the centres are established by redeploying part of the personnel and channelling some equipment and sources of goods from those companies and warehouses. Very often, therefore, relations between the trading partners are characterised by administrative and economic subordination, rather than being equitable. This happens when the wages and bonus funds of the centre are determined and controlled by a specialised company (or are part of their joint fund); when the sources of goods are provided by the specialised company or a warehouse, and when the economic results are taken account of as a whole.

Economists emphasise that although the general situation is positive, it is far from good everywhere, and that the growth in the number of trading centres does not bring about adequate commodity circulation of material resources.

It is worthwhile dwelling on another form of the new organisation of material-and-technical supply, which is essentially close to trading centres—branch trading companies. Their establishment is rational for branches having close internal ties in specialisation, cooperation and mutual supplies of raw and other materials. The Sichuan joint-stock company of chemical industry with limited responsibility is a particular case, reflecting though the general trend in the reorganisation. The company, set up in September 1984, unites chemical industry enterprises and material-and-technical supply bodies of four cities—Chengdu, Chongqing, Zigong and Luzhou.<sup>21</sup> The following aspects are deemed the more important here. Above all, the company is a joint-stock

enterprise, with all the participants retaining full economic and legal autonomy. Economists who have studied its work consider the company a form of integration of production and marketing, which meets present-day economic requirements, since the old management system is not fully done away with and a new one has not yet taken shape. The company has its own specific forms of activity, besides usual ones. First of all, these include active export-import operations. Moreover, drawing on its own capital which is large enough, the company employs the method of compensation trade to assist some enterprises in carrying out technological updating, thus helping increase the production of scarce products and to start the output of new products. The company gives suppliers 70-80 per cent of the revenues from the marketed scarce goods as incentive.

The company has also established, through associations, inter-regional, inter-departmental and inter-branch production-and-marketing horizontal economic ties, involving additional resources apart from resources supplied by share-holding enterprises (which is important in itself).

The application of the concept of the socialist planned commodity economy to the system of material resources circulation signals the formation of large regional and national markets of means of production in China. Although the first steps have already been taken, the basis underlying the reform and its uneven development—as regards the pace, regions—make the formation of the market of means of production a long-term task.

- <sup>1</sup> Xue Muqiao, "On the Reform of the Trade Management System", *Caimao Jingji*, No. 11, 1985, p. 4.
- <sup>2</sup> *The Chinese Economic Yearbook*, 1985, Peking, 1985, pp. IV-31 (in Chinese); *Jingji ribao*, March 24, 1986.
- <sup>3</sup> *The Reference Book on Modern China's Economy*, Peking, 1982, p. 313 (in Chinese); *Jingji ribao*, Feb. 26, 1986.
- <sup>4</sup> *The Chinese Economic Yearbook*, 1985, pp. IV-32; *Jingji ribao*, Feb. 26, 1986.
- <sup>5</sup> *The Chinese Economic Yearbook*, 1985, pp. IV-32.
- <sup>6</sup> *The Reform of the Economic System in Modern China*, Peking, 1984, p. 517 (in Chinese); *The Chinese Economic Yearbook*, 1985, pp. IV-32.
- <sup>7</sup> *The Chinese Economic Yearbook*, 1985, pp. IV-32.
- <sup>8</sup> See *Caimao Jingji*, No. 11, 1985, pp. 3-4.
- <sup>9</sup> *Jingjixue dongtai*, No. 9, 1985, p. 25.
- <sup>10</sup> *Ibid.*, p. 24. According to data obtained in on-the-spot inspections in major cities.
- <sup>11</sup> *Renmin ribao*, Feb. 26, 1986.
- <sup>12</sup> See Li Ling, "The Transformation of the Urban Economy into the Commodity Economy and Cities into 'Open' Ones", *Caimao Jingji*, No. 9, 1985, p. 2.
- <sup>13</sup> See Zhao Xiaomin, "Several Issues Pertaining to the Establishment of Centres Trading in Means of Production", *Caimao Jingji*, No. 9, 1985, pp. 13-14.
- <sup>14</sup> See B. N. Basov, "The Development of Inter-Sectoral Ties in the PRC", *Far Eastern Affairs*, No. 4, 1986.
- <sup>15</sup> *Jingji ribao*, April 4, 1986.
- <sup>16</sup> *Ibid.*, Feb. 26, 1986.
- <sup>17</sup> Xu Jingji, "For Good Work of Trading Centres. For Brisk Circulation of Material Resources", *Caimao Jingji*, No. 8, 1985, p. 42.
- <sup>18</sup> See *Renmin ribao*, March 1, 1986.
- <sup>19</sup> Kuang Kuang, "Market Channels Should Be Broadened. The Circulation of Material Resources Should Be Invigorated", *Caimao Jingji*, No. 4, 1985, p. 59.
- <sup>20</sup> *Caimao Jingji*, No. 9, 1985, p. 14.
- <sup>21</sup> See Zheng Qing, Zhou Diankun, Yang Chaoqun, "The Inspection of the Work of the Sichuan Trading Company of the Chemical Industry", *Caimao Jingji*, No. 4, 1985.

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## SOCIALIST IDEAS OF SUN YATSEN

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[Summary of paper presented by Hu Sheng, president of the Chinese Academy of Social Sciences, at an international conference in Guangdong Province in November 1986]

### From the Editorial Board:

In November 1986 the Zhongshan county of the Guangdong province hosted an international scientific conference to mark the 120th birthday of the great Chinese revolutionary democrat Sun Yatsen. Below is the summary of a paper by Hu Sheng, President of the Chinese Academy of Social Sciences.

From his early years the initiator of the democratic revolution in China, Sun Yatsen, was attracted by socialism and even considered himself to be a socialist. Having emerged in the socio-historical context of China as a reflection of Sun Yatsen's passionate desire to see the state rich and mighty, and the people happy, his subjective socialism eventually led him in the last years of his life to adopt a consistent policy of cooperation with the Communist Party. We respect Sun Yatsen's subjective socialism as an important feature of his philosophy which may lead us to some conclusions essential for the present-day practice of socialism. The article does not deal with his statements made after 1924, the period of cooperation between the Guomindang and the Communist Party.

### I

1. Replying to a friend in 1903 Sun Yatsen wrote: "Socialism about which you are asking is something I, your younger brother, have to think hard and cannot forget for a moment." He was convinced, he wrote, that there should be "egalitarian rights to land". China would then be able to avoid a gap between the rich and the poor which was characteristic of Europe and America, and the development of a "big conflict" (originally published in *Shanghai jingzhong ribao* in April 1904)<sup>1</sup>. Judging from the documents at our disposal, that was the first time that Sun Yatsen mentioned socialism. But this only goes to show that already at that time he carefully analysed socialist ideas and closely watched the Western socialist movement. During his May 1905 visit to the Brussels headquarters of the International Socialist Bureau—the governing body of the Second International—Sun Yatsen met with its Chairman Emile Vandervelde and Secretary Husman. According to the notes of Sand, a reporter of the Belgian Socialist Party's paper *Le Peuple* (The People), who probably attended the meeting, Sun Yatsen asked the International Socialist Bureau to admit his Party, and called himself a "Chinese socialist". He said: "Using machines, Chinese socialists should introduce the mode of production of the Europeans but they should avoid their various vices," they should help China to "pass directly from the medieval mode of production to the stage of socialist production, and the workers need not suffer the ordeal of capitalist exploitation."<sup>2</sup>

2. Five months later, in October 1905, Sun Yatsen put forward for the first time his "three great principles"—nationalism, people's power, and the people's well-being—in the first issue of *Min bao* (The People), the

paper of the United Union (Tongmenghui). He said that the principles emerged, one after another, in the history of Europe and America and that the 20th century would "inevitably become an epoch when the principle of the people's well-being will come to the forefront of history". He believed that Europe and America were "not far from a social revolution", that of China followed their path "it will certainly live through a second revolution". Therefore the principle of the people's well-being should be applied well in advance, it was necessary to "carry out political and social revolutions at the same time".<sup>3</sup> It is still unclear that the people's well-being that he spoke about meant socialism. In 1906, at a meeting devoted to the first anniversary of *Min bao*, Sun Yatsen stated that "the socialist parties fight for the well-being of the people because the rich and the poor are not equal, and they want to take measures to remedy the situation; people like that gain strength from day to day, gradually building a complex and coherent science".<sup>4</sup> Clearly, the principle of the people's well-being is interpreted by him as another definition of socialism. In his article on socialism printed in *Min bao* (No. 4, May 1906) Zhu Zhi-xin explained that the word socialism was originally translated as the principle of people's well-being, as was the case with its Japanese translation. Feng Ziyou explicitly stated in his article on people's well-being: "*Minshengzhuyi*"<sup>5</sup> (Socialism) is translated by Japanese as *shehuizhuyi*"<sup>6</sup>. At least, some of Sun Yatsen's comrades-in-arms regarded the principle of people's well-being and socialism as synonyms, and there are reasons to believe that it was not a distortion of Sun Yatsen's ideas. In 1921 he read a lecture on the three popular principles in Guangzhou during which he explained that "the principle of people's well-being is what is now called socialism. Gentlemen, please recall when I first advocated the principle of people's well-being! It is only now, after a certain delay, that my compatriots are beginning to talk of socialism. Socialism as a teaching has been transferred to China only recently, and I translated the original term 'socialism' using a more appropriate term 'the principle of people's well-being'".<sup>7</sup> It is clear that in 1905 Sun Yatsen proposed the term "the principle of people's well-being" as a translation of the word "socialism".

3. The year 1905 was the time when progressive Chinese intellectuals started to realise the ideas of socialism and study the socialist movement of the West. Already at that time Sun Yatsen, who interpreted socialism as the principle of people's well-being set before the Chinese revolution as the task of applying it as one of the three "great principles". We can say with certainty that Sun Yatsen did not reject socialism but accepted it. He thought that in the course of the Chinese revolution the principle of people's well-being, i. e., socialism, should be applied simultaneously with the principles of nationalism and people's power. On the other hand, he perceived that principle through the ideas of "egalitarian rights to land" and "nationalisation of land". Sun Yatsen believed that by applying those principles and developing its economy and industry in the manner of Western countries, China would be able to avoid their vices such as the appearance of monopolies and a gap between the rich and the poor, and even a socialist revolution. Therefore, while Sun Yatsen was ready to embrace the ideas of socialism and believed in the possibility of simultaneous political and social revolutions he did not, in fact, insist on a socialist revolution in China. On the contrary, he expected China to be able to avoid it. So, if we say that Sun Yatsen's principle of people's well-being was socialism, it was a brand of socialism aimed at avoiding socialist revolution.

4. By its content the principle of people's well-being upheld by Sun Yatsen—egalitarian rights to land and nationalisation of land—was not really socialism. During the period of the United Union, i. e., before the

Xinhai revolution, he acted on his understanding and included socialism in his revolutionary programme, confidently carrying out his revolution of nationalism (which meant the overthrow of the Manchu dynasty) and the revolution of people's power (i. e., the transformation of China into a democratic republic). Sun Yatsen regarded the revolution of people's power as just a political revolution. But it is basically also a social revolution which replaces feudalism with capitalist society. In other words, this political revolution paves the way for a socialist revolution without which the success of the former is impossible. The revolution carried out by the United Union under the guidance of Sun Yatsen was a democratic revolution aimed at establishing a bourgeois-democratic republic and developing capitalism. Sun Yatsen, who saw the rise of socialist revolution in the capitalist countries of the West, had no hesitations or doubts about that revolution. On the contrary, he believed that he had found a way of avoiding socialist revolution.

5. Liang Qichao who opposed revolution at that time and stood for constitutional improvements was Sun Yatsen's antipode in his attitude to revolution. Following the defeat of the "Hundred Days of Reforms", he fled to Japan. He also upheld the development of capitalism, the development of industry in China in order to overcome the country's backwardness. That was why he was prepared to cooperate with members of the revolutionary party in 1901 and 1902, and advocated the anti-Manchu revolution in his articles. Having left Japan, he toured the USA for 10 months in 1903 to study the situation in the country. Ding Wenjiang and Zao Fengtian write in *Biographical Chronicles of Liang Qichao* (p. 334): "When Mr. (Liang Qichao) came back from America his statements changed radically. A major change in his political thinking was the utter repudiation of the ideas of "anarchism" and "revolutionary overthrow of the Manchu dynasty". He began to defend the constitution and opposed the path of revolution taken by Sun Yatsen's group. The sides were involved in a heated argument. His *Notes on the Voyage on the New Continent*, a book of impressions about America, contained much more words of praise than criticisms of the US political and social structure. He met with many members of the Socialist Party who "vied with one another in advising China to start with socialism if reforms are put into effect". "I," says Liang Qichao, "believed that they knew nothing about the internal situation in China, and was not able to argue with them." "Extreme socialism," writes Liang Qichao "is unacceptable not only in China but also in Europe and America; if put into practice its defects will prove innumerable" (*Ibid.*, pp. 41-42). In his opinion, socialism was unacceptable in Europe and America either. As for China, his article "Does China Really Need Social Revolution?" written during his debate with members of the revolutionary party, says: "I think that in assessing the future of the economy of today's China we should emphasise the encouragement of capitalists rather than the defence of workers" (*Xinmin congbao*, No. 86, p. 17). This meant that China should develop capitalism and there was no place for socialism. Could the development of capitalism repeat the old defects of Europe and America? Could it lead to a situation which would make a socialist revolution inevitable? He thought that if the historical experience of social development was taken into account, it would be possible "to avoid the misfortune before this happens, and to avoid the path of mistakes" (*Ibid.*, p. 16). He believed it possible to take measures to prevent a "second revolution" in China. His views seem to be identical with those of Sun Yatsen. But his approach to ways and means of avoiding a revolution was different. After 1903 Liang Qichao opposed not only the social revolution of Sun Yatsen but also the anti-Manchu revolution. He thought that the only way was to "act within the limits of law", to put forward "just demands" to the government, believing this to

be the only means of carrying out a "political revolution" which may bring about, at best, constitutional monarchy. This is a far cry from the plans for a democratic republic of Sun Yatsen's group. There were, of course, other reasons for the changes in Liang Qichao's views which occurred in 1903, but these are inseparable from his ideas of socialism.

6. During the debate which lasted several years after 1903 between the groups of Sun Yatsen and Liang Qichao, the latter defined more resolutely some of his ideas (for instance, he pointed out that nationalisation of land was not socialism yet, as was said above, he believed that socialism was impossible under conditions that prevailed at the time in China). Having rejected socialism in his *Notes on the Travels on the New Continent*, Liang Qichao said: "Of late the ideas of state socialists have become increasingly sound, many of them can be used in China; moreover, it will be easier than in Europe and America" (*Yinbingshi heji*, 22, p. 42). Without negating completely the idea of socialism, he would say: "If China gets involved now with legislative work, should it or should it not borrow the spirit of socialism which is professed by today's scholars? This is another matter" (*Xinmin Congbao*, No. 86, p. 5). These conclusions are indeed close to the views of Sun Yatsen. The issue between them was that one side believed that bourgeois democratic revolution may contain social revolution, after which socialist revolution will not occur. That was why it actively and unhesitatingly carried out a bourgeois democratic revolution. The other side was certain that bourgeois democratic revolution could not contain social revolution but created prerequisites for a future socialist revolution. Hence, the conclusion that a bourgeois democratic revolution should not be carried out at that time.

That Sun Yatsen's revolutionary group insisted on the urgent need for a bourgeois democratic revolution under the existing historical conditions and under the banner of socialism (although its colour was at least hazy) was a phenomenon generated by the prevailing conditions in China.

## II

7. The Xinhai revolution overthrew the Qing dynasty and established the Republic of China. On 3 March, 1912, at a congress of the United Union held in Nanking, the leadership presented a General Statute of the United Union of China. Article 2 of the Statute said: "The main aim of the Union is to strengthen the Republic of China, to realise the principle of people's well-being." The General Principles of the Union also contained the thesis of "state social policy"<sup>8</sup>. Why was the principle of people's well-being the dominant one rather than the three popular principles? Did the principle really mean socialism? About a month later Sun Yatsen who had resigned from the post of provisional president in favour of Yuan Shikai gave a clear answer to these questions in his speech to members of the United Union: "Today, when the Manchu dynasty is stripped of its powers and the Republic of China has been established, when the principles of nationalism and people's power have been realised, we have not yet implemented the principle of people's well-being. From now on all our efforts should be concentrated on it."<sup>9</sup> "Now that the republic has been set up, we can predict that there will be freedom of action and flourishing production. However, there is a vice which we must prevent—the emergence of capitalists... Therefore, on the one hand, there is the objective of making the state wealthier and mightier and, on the other, of preventing the vice of capitalist monopoly. The thesis aimed at preventing the vice cannot exist outside socialism. It is for this reason that the policy of state socialism has been introduced in the political programme



of our Union.”<sup>10</sup> It is clear that Sun Yatsen still believed that his principle of people’s well-being was socialism. He reiterated the idea in most of his speeches before March 1913 (when Song Giaoren was killed). Addressing members of the Socialist Party of China in Shanghai (October 1912), Sun Yatsen said: “As for my attitude toward socialism, I do welcome the sanctity of its benefit for the state, the people, which constitutes the truth of this society; by concentrating the products in social property it produces benefits. When socialism is built young people will be able to get education, old people will be looked after by society, everybody will have a job, everybody will be looked after. The state in our Republic of China will then become a socialist state.”<sup>11</sup> After 1913 he fought Yuan Shikai and was defeated in the struggle for the 1912 Constitution. For a number of years he almost never touched upon the question of the principle of people’s well-being—socialism. It was only in 1919 that he started mentioning the principle of people’s well-being in some of his manuscripts and speeches, asserting that “the principle of people’s well-being is socialism”<sup>12</sup>. In his speech in June 1921 he reiterated: “The principle of people’s well-being is socialism.”<sup>13</sup> But what did he really mean by socialism?

8. Sun Yatsen regarded “egalitarian rights to land” as the core of the principle of people’s well-being. The idea of egalitarian rights to land was not directed against the land tenure system which existed in China before and after the Xinhai revolution (till 1944). This only applied to the cost of land in urban areas, and after industrial development (it was only in 1924 that Sun Yatsen came to interpret egalitarian land rights as the principle that “every farmer should have his own plot”).

Industrialisation brought about a several-fold increase in the cost of land which benefited big land-owners. The solution: the owners determine the price of their land and the state either sets a tax or buys it at their price. According to Sun Yatsen, egalitarian land rights meant: 1) taxation according to the price; 2) nationalisation of land. He explained that this did not imply “nationalisation of all land” but only “land with lively transport communication”.<sup>14</sup> The idea of egalitarian land rights owed a lot to the 19th-century author Henry George and his *Progress and Poverty*. Sun Yatsen seemed to understand that his demand for egalitarian land rights would create conditions for the development of capitalism. He said: “Because of egalitarian land rights capitalists would have to sacrifice their land speculations and engage in industry and trade; the resulting social prospects would be unlimited.”<sup>15</sup>

9. Encouraged by the Xinhai revolution, Sun Yatsen believed in rapid economic development of China. He was determined to “break away from the political sphere” and concentrate on “social action”. He put forward a plan for the construction of a 100,000-km railway in 10 years. But did the industrial and commercial development pave the way for capitalism? Sun Yatsen repeatedly emphasised that China should make every effort to avoid the “ominous situation” for “social revolution” created in Britain, the USA and other countries by the development of industry and trade. In an article which he wrote in October 1912 he stated: “The natural evolution of capitalism in recent times will bring the workers into conflict with unequal treatment, that is why we should avoid it at any price. I tried, through hard thinking and an in-depth analysis, to find a course which would resolve these problems. What is this course? It is the principle of people’s well-being.”<sup>16</sup> This seems to be a denial of the capitalist way of development. On the other hand, he believed that industrialisation would breed more capitalists. In his speech in Peking in September 1912 he said: “In 10 years China will certainly have over ten thousand big capitalists.”<sup>17</sup> At that time Sun Yatsen made statements that seemed to be directed against capitalists. But his point of view was reflected in

the Shanghai speech of April 1912. By advancing the thesis that "the principle of people's well-being cannot be complete without socialism" he refuted the idea that "socialism is a struggle against capitalists"; he said that China "can in no way support this idea" and that "capitalists should be supported". At the same time Sun Yatsen warned that "we should be wary of the defective practices of capitalists".<sup>18</sup> The so-called defective practices meant monopolisation of the national economy by a group of big capitalists. Some people think that Sun Yatsen's socialism is egalitarianism. This conclusion is prompted by some of his pronouncements about "equality between the poor and the rich"; he was convinced that "the principle of people's well-being is in no way the principle of egalitarianism between the rich and the poor; it is the development by the strength of the state of natural abilities for real benefits, the prevention of the autocracy of capitalists".<sup>19</sup> He also said: "What is the meaning of the principle of people's well-being? It is my view that it is not redistribution of the means of production, which is completely absurd."<sup>20</sup> Sun Yatsen's idea boiled down to allowing capitalism to develop in China. The only thing he was against was the monopoly of capitalists. Since that was originally his idea he included in 1924 the "containment of capitalism" in the principle of people's well-being as one of its components.

10. Although Sun Yatsen predicted the appearance of a great number of capitalists in China, he felt that the development of Chinese industry and trade would hardly be possible with the help of capitalists. That was why he advocated the use of foreign capital for the development of industry and trade without detriment to China's sovereignty (he advocated the policy of open doors but resolutely opposed any domination by imperialism of the financial situation in China which would be a means of providing the militaristic government with funds). He believed that state socialism meant that the state would run the economy. He said as far back as 1912: "China has already become a republic, it is possible to proceed with state socialism. The land and profitable railways must be nationalised so that they would not be seized by one or two capitalists; the unemployed should all be given jobs so that everybody could feed himself with his own labour; it would then be possible to remedy the defects of the natural evolution and to establish profound harmony with higher justice. The spirit of socialism will then peacefully resolve the fierce battle between the rich and the poor."<sup>21</sup> Later on he expounded this view on numerous occasions. For example, in 1912 he said in Guangdong: "All those who speak of state socialism believe that all important affairs of state should be regulated by the government, for instance, with the help of loans. Irrigation, railways, electricity and other sectors which could be monopolised are nationalised."<sup>22</sup> He had a rather vague idea of state socialism. He even said that Bismarck in Germany also "opposed socialism and advocated state socialism", that the Japanese government's monopoly on tobacco was also state socialism.<sup>23</sup> However, he opposed nationalisation of railways and resolutely came out against the militaristic government. He said in 1921: "Although the republic has been nominally in existence for ten years, in fact it is a bureaucratic state."<sup>24</sup> He could not, of course, think that a "bureaucratic state" was able to carry out state socialism. Upon his return from Guangdong in 1921, when he was preparing the establishment of a new political power, he said: "During the establishment of a genuine republic" it is necessary to implement the "principle of people's well-being", i. e., "while capitalists and landlords are few we must nationalise capital and property, organise industry and trade with the help of machines, do much good for the common people and eliminate class struggle."<sup>25</sup> We shall not discuss now the question of which state can introduce socialism. Sun Yatsen did not study the matter seriously. But, in fact, he believed that if private capital

ran all affairs that meant capitalism. But it was hard to avoid, it was inevitable. Socialism is nationalisation, the regulation of all activities by the state. Nationalisation is socialism.

11. Formally, Sun Yatsen advocated the building of socialism, but in fact he was in favour of developing capitalism. Sun Yatsen's personality was a factor in the emergence of this subjective socialism which also reflected China's specific historical conditions. The Xinhai revolution stimulated the development of national capital. But because the revolution did not change the situation in which imperialism oppressed and dominated China, it did not in any way weaken the production relations' ties of feudalism and its political power. The development of national capital was extremely hindered. The Chinese people suffered not from the development of capitalism but from its underdevelopment. Sun Yatsen was aware of the situation. He wanted very much to see China wealthy and strong, he wanted its people to be happy and free from exploitation and oppression. The question of how to realise these lofty aspirations simultaneously was a difficult one. Right after the declaration of the republic he said: "There is much work ahead which we must complete so that China could become a great and strong country and be abreast with other powers."<sup>26</sup> He also emphasised that he was not satisfied with the declaration of a republic in China. It was necessary for a "poor and weak" China to become "wealthy and strong".<sup>27</sup> While it was increasingly obvious that Yuan Shikai was destroying the republic, he still believed that decades of hard efforts would be needed for "the Republic of China to join the ranks of civilised states of the world".<sup>28</sup> Sun Yatsen also said: "It is obvious that my beloved state is reverting to the old order, which is painful."<sup>29</sup> He said that the aims of the revolution "were the desire to make China the strongest, the most wealthy and politically the most remarkable state in the world. These aims are attainable if the people of the country unite".<sup>30</sup> The sentiment was voiced by a great patriot who expressed the aspirations of the Chinese people then living in humiliation, ignominy and suffering. Sun Yatsen was certain that the old road of Western capitalist states could not bring happiness to the people. He said: "I was much disharmony between labour and capital in Western countries and the harsh situation of the working masses, that is why I hope that China will manage to prevent such a situation. Development of industry and trade stimulates the growth of production. But this increases the danger of a growing gap between the working class and the owners of capital. I want to see an improved life for the popular masses and I do not wish to contribute to the growing power of a few people who want to become a financial oligarchy."<sup>31</sup> He summarised his views on economy in the following way: "On the one hand, we must strive to develop industry and trade; on the other, we must make the economic life of workers safe and happy."<sup>32</sup> Are there any contradictions? The important thing was he had felt those serious contradictions through his experience in Western countries. The desire to resolve those contradictions made him create his subjective socialism.

12. Sun Yatsen's attitude toward revolution and construction of the state was unambiguous. Believing that the Xinhai revolution was a success, he intended to get down to the construction of the state. Having realised that the revolution was in fact a failure, he again concentrated his efforts on its cause. In a speech made in '20 he said: "Only a false sign-board remained of the Republic of China. Another great revolution is needed to revive the true Republic of China."<sup>33</sup> Sun Yatsen was indeed an indomitable revolutionary. In reply to the question "In what sciences did you specialise?" he said in 1919: "What I deal with is the science of revolution."<sup>34</sup> Though he encountered many difficulties and failures, he stubbornly continued his revolutionary activities. He welcomed the victory

of the 1917 October Socialist Revolution in Russia. But Russia's experience made him realise more clearly that socialist revolution was something which provoked apprehensions. In 1921 he said in one of his speeches: "It is necessary to understand the ordeal of a social revolution which is much more bloody than a political revolution."<sup>35</sup> In the same year he said: "A social revolution has won in Russia; and Russia has become a state of peasants, workers and soldiers. The sequence of the phases of this revolution: from national to political, from political to social. Sufferings were felt at each turn, this is well-known. China should study the example of Russia, it should settle all the questions of land and capital as soon as possible and in the most thorough manner to eliminate the suffering which is frequent during a revolution."<sup>36</sup> The political revolution which he spoke of was the revolution which he headed. That is why he said: "A socialist revolution is a much more frightening thing than a democratic revolution and it should be avoided at any price." How could it be done? He believed that it was very easy to introduce socialism well in advance because of China's industrial underdevelopment and the lack of conditions for a socialist revolution. As far back as February 1912 he said: "England and America have a highly developed civilisation and industry, and a social revolution there is indeed a difficult thing. We in China have not yet attained such a level of development, that is why it is easier to carry out a social revolution in our case."<sup>37</sup> He spoke in the same vein for a number of years on many occasions. Although underdeveloped and lacking the necessary political rights, the Chinese national bourgeoisie had already witnessed the worker's socialist movement in the West, the victory of the October Socialist Revolution in Russia, and was afraid of a socialist revolution which could occur in the near future and threaten its development and existence. That was the historical background of Sun Yatsen's subjective socialism.

### III

13. In the last years of his life Sun Yatsen resolutely advocated cooperation with the Communist Party of China to give an impetus to the "great political revolution" that he strove for. He died without seeing that revolution which culminated in the Northern Expedition. He, of course, did not see the changes which took place in China's development after that. In the end, the Chinese people, guided by the Communist Party, carried out the national democratic revolution which Sun Yatsen fought for all of his life, and later on led China along the socialist road of development. The contradictions which Sun Yatsen failed to resolve were resolved with the means which he could not predict. We cannot be harsh with our predecessors from the height of our experience. On the contrary, we should see that some of the weaker points of Sun Yatsen's subjective socialism were typical of Chinese Communists and were, and are, eliminated on the basis of practice. Sun Yatsen and Chinese Communists lived under the same socio-historical conditions, and not surprisingly some of their views coincided.

14. It is impossible to "win a war in one battle", i. e., to carry out democratic and socialist revolutions simultaneously. But some Communists had a different point of view. The Communist Party set the task of socialist revolution right after its creation, but it was quick to realise that the Chinese revolution had two stages: a democratic revolution and a socialist one. Initially it was possible to carry out only a democratic revo-

lution, but for a long time the mistake was made of confusing the objectives of the two stages when the general task of combatting the bourgeoisie was set during the democratic revolution. Such tendencies were reflected in leftist mistakes made by the Communist Party before and after 1930. It should be pointed out that in contrast with diehard anti-communists, Sun Yatsen passed from his purely subjective notions to cooperation with the Communist Party. Since China's economy and society were underdeveloped, the people who made the revolution were driven by good intentions, wishing to accelerate progress in China. If we have a lofty ideal, why can't we realise it sooner? That was Sun Yatsen's approach. But he expressed this intentions only in his thoughts. Had he tried to act on them, they would have produced an effect opposite to the desired one. Historical experience shows that the Chinese revolution is a complex and lengthy process, it cannot be carried out without a division into separate stages. The building of socialism is also a complex and long process. Here we also have to move step by step, on the basis of practice, remembering the old saying "Hasty climbers have sudden falls".

15. Sun Yatsen's subjective socialist ideas include the following thesis: since industry in China is underdeveloped it is very easy to introduce socialism. The thesis relates to the idea of "winning the war in one battle". Some members of the Communist Party shared this view in the early period. Once the Chinese Communists realised that revolution in China should be divided into two stages, they opposed intentions to carry out a socialist revolution at the stage of a democratic revolution and, on the other hand, they opposed the notion that after the victory of a democratic revolution they should await the development of capitalism and later carry out a socialist revolution. The idea is erroneous for the Chinese bourgeoisie was unable to head a democratic revolution and lead it to victory. A democratic revolution in China could be completed only under the guidance of the proletariat, and a people's democratic state headed by the proletariat should be established after the revolution. Such prerequisites can immediately lead to a peaceful socialist revolution. The thesis indeed made it possible to avoid terror and bloodshed, as Sun Yatsen wished. Nevertheless, can this situation confirm the validity of the thesis that underdeveloped capitalism greatly facilitates transition to socialism. Seven years after the formation of the PRC the country restructured, in the main, the system of property; at that time some Communists really believed that it was very easy to ensure a complete success of socialism and even to build communism. In his work "I Recommend One Cooperative", which was written in April 1958 Mao Zedong said: "Poverty and ignorance are obvious features of the six hundred million population of China." "It is easy to draw new and most beautiful hieroglyphs, to draw a new and wonderful picture on a clean sheet of paper, without the burden of the past." It can be said that this statement reflects the above reasoning. Practice has shown that such notions do not reflect reality and are extremely noxious. Socialism cannot be created on a "clean sheet of paper" (real life has never seen a society free of "the burden of the past", a society which would resemble a "clean sheet of paper"). Since the proletariat had already come to power and the bourgeoisie was very weak, there were only small obstacles to socialist transformations. As a result, the socialist system asserted itself comparatively easily. Sun Yatsen's view that construction of the state is an objective of the revolution is, of course, acceptable. Under China's historical conditions socialism experiences specific difficulties. A lack of understanding may give rise to various methods of the "Great Leap Forward" which would be divorced from reality. The thesis that it was easy for China to pass to socialism—a view which was shared by Sun Yatsen and the Communists—was based on the fact that China had not passed through the stage of developed capitalism. This

position was indeed a product of historical conditions at the time when capitalism was not developed in China.

16. A few words about Sun Yatsen's theory of state socialism. In a bourgeois state, the system of state property is not socialism at all. It was only after the establishment of a people's democratic state headed by the proletariat that it became possible to implement Sun Yatsen's idea that state property was people's property, therefore the state economy became a socialist economy. But Sun Yatsen's idea that nationalisation of industries and introduction of economic functions of the state would mean socialism is primitive and does not correspond to reality. The tendency of attempting to build socialism relying exclusively on state power and administrative measures can easily make itself felt in a backward economy. The phenomenon involves erroneous conclusions that the construction of socialism is an easy undertaking. Although in this respect the Communists did not feel the influence of Sun Yatsen's theory of state socialism, they did commit similar mistakes during the building of socialism. Practice shows that, alongside the state sector which dominates the economy, there should be a socialist cooperative economy based on collective property; furthermore, other economic forms should be used. Blind faith in state property, the erroneous conviction that state property will immediately lead to universal well-being, the propensity toward "one colour", the lack of understanding of the features of socialist construction on a "poor and ignorant" base as in China where one has to apply skillfully various economic forms, including some transitional forms—all of these mistaken tendencies should be thoroughly eliminated. It was understood only after the 3rd Plenary Session of the Central Committee of the CPC (11th convocation). It is impossible to create a refined socialist society with the help of state power. Development of a market economy in a socialist system is a stage which we cannot bypass. That is why we have to apply the law of value, to combine state planning and market regulation, to carry out the policy of a planned market economy based on public ownership of the means of production. We have also realised this only in recent years. As for an economy based on state property, we must improve the system of management and other forms of economic relations. The advantages of state property as a socialist economy cannot be realised in the absence of appropriate solutions to these problems.

17. Sun Yatsen consistently emphasised that in order to spare the people the suffering inflicted by exploiters China should not take the old road of the capitalist countries of the West. That was only a pious wish. The course of historical development is not, of course, determined by wishes. China did not repeat the course of the West because it is virtually impossible to repeat it. The semi-colonial and semi-feudal China was dominated by foreign and compradore bureaucratic capitalism allied with the class of feudal landlords. Liberal national capitalism also existed in China but it was under pressure and could not develop. The plan of creating a bourgeois democratic republic was, therefore, doomed to failure. The national democratic revolution which was carried out by the people under the guidance of the Communist Party of China was an extension of Sun Yatsen's cause. After the victory of the revolution it was only the experience of many victories and defeats that enabled us to shed various unrealistic utopias, to proceed from the concrete situation in the country, and to build the Chinese version of socialism. A comprehensive reform and an open foreign economic policy will allow us to make up for the deficiencies that are due to the fact that China did not pass through the stage of developed capitalism, and to resolve related difficulties. It should be said that this is also a continuation of Sun Yatsen's socialist ideals,

his aspirations for the enrichment and strengthening of the state and the happiness of the people.

NOTES:

- <sup>1</sup> Sun Yatsen, *Complete Works*, Vol. 1, p. 228 (in Chinese).
- <sup>2</sup> *Ibid.*, p. 273.
- <sup>3</sup> *Ibid.*, pp. 288-289.
- <sup>4</sup> *Ibid.*, p. 327.
- <sup>5</sup> "Principle of people's well-being".—Chinese translator's note.
- <sup>6</sup> "Socialism".—Chinese translator's note.
- <sup>7</sup> Sun Yatsen, *Complete Works*, Vol. 5, p. 476.
- <sup>8</sup> *Ibid.*, Vol. 2, p. 160.
- <sup>9</sup> *Ibid.*, p. 319.
- <sup>10</sup> *Ibid.*, pp. 322-323.
- <sup>11</sup> *Ibid.*, p. 523.
- <sup>12</sup> *Ibid.*, Vol. 5, p. 191.
- <sup>13</sup> *Ibid.*, p. 560.
- <sup>14</sup> *Ibid.*, Vol. 2, pp. 335, 474.
- <sup>15</sup> *Ibid.*, pp. 355-356.
- <sup>16</sup> *Ibid.*, p. 492.
- <sup>17</sup> *Ibid.*, p. 442.
- <sup>18</sup> *Ibid.*, p. 340.
- <sup>19</sup> *Ibid.*, p. 442.
- <sup>20</sup> *Ibid.*, p. 492.
- <sup>21</sup> *Ibid.*, p. 509.
- <sup>22</sup> *Ibid.*, Vol. 5, p. 561.
- <sup>23</sup> *Ibid.*, Vol. 2, p. 442.
- <sup>24</sup> *Ibid.*, Vol. 5, p. 628.
- <sup>25</sup> *Ibid.*, Vol. 5, p. 460.
- <sup>26</sup> *Ibid.*, Vol. 2, p. 231.
- <sup>27</sup> *Ibid.*, Vol. 2, p. 420.
- <sup>28</sup> *Ibid.*, Vol. 3, p. 63.
- <sup>29</sup> *Ibid.*, p. 73.
- <sup>30</sup> *Ibid.*, Vol. 4, p. 345.
- <sup>31</sup> *Ibid.*, Vol. 2, pp. 392-393.
- <sup>32</sup> *Ibid.*, Vol. 5, p. 69.
- <sup>33</sup> *Ibid.*, p. 262.
- <sup>34</sup> *Ibid.*, p. 55.
- <sup>35</sup> *Ibid.*, p. 480.
- <sup>36</sup> *Ibid.*, p. 561.
- <sup>37</sup> *Ibid.*, Vol. 2, p. 325.

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## EDUCATION IN CHINA: CHANGES UNDER WAY

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[Article by N.Ye. Borevskaya, candidate of philological sciences]

### UNIVERSAL EDUCATION: PROBLEMS AND DECISIONS

At its Fourth Session in April 1986, the National People's Congress of the PRC (the 6th Convocation) passed a Law of Compulsory Education—the first in the series of China's legislative acts on education, the elaboration of which started in 1984. The programme is to be completed in ten years and is intended to finalise a legal foundation for the process of changes begun in the 1980s. Back in May 1985, the CPC Central Committee and PRC State Council passed a "Resolution of a Reform of the Education Structure", outlining a programme of radical changes in the field. Universal nine-year education (secondary education) is to be made compulsory by stages: in economically and socially developed communities by 1990 and in relatively developed rural communities and urban-type settlements by 1995. No specific dates were set for the rest of China (with a quarter of the country's population), including the areas inhabited by ethnic minorities. There are plans to introduce universal compulsory nine-year education in these areas by the year 2000. Today, China's education is a motley picture. Nine-year education has become universal in a number of large cities and in the littoral areas. In many other regions, however, the shortage of primary schools remains acute, so work is in progress to introduce universal primary education there.

The introduction of universal education should be promoted by a legislative provision (enacted for the first time in 1986) that all children of school age are obliged to attend school. Any attempts to impede implementation of that provision are punishable by law. Local authorities now have the right to prohibit employment of school-age children who must attend primary or secondary schools, and to impose fines on, suspend operation or annul the licenses of offending factories. Measures are also to be taken with respect to parents or guardians who do not send their children to school.

This legislative act is highly important for the development of China's sciences, culture and economy for, according to the 1982 census, Chinese citizens over 25 years of age attended school for only five years on the average. Making education compulsory is especially important in present-day China, since the introduction of universal education is seriously impeded by the system of family contracts and the practices of cooperative and private farms where teen-aged employees are always welcome. Another problem is that education provided by secondary schools in rural communities opens no great prospects to their graduates: most of them never move on to high schools because they fail to pass entrance exams.

The national percentage of school-age children actually attending primary schools is quite high—95.7. But in some areas (like Yunnan and Guizhou provinces) it varies from 60 to 85 per cent.<sup>1</sup> In the autumn of 1985, universal primary education was introduced in 36.6 per cent of the 1,999 districts surveyed. The number of illiterate or semi-literate young people keeps on growing.

Throughout China, 68 per cent of primary school-leavers are admitted to secondary school.<sup>2</sup> The percentage of eligible teen-agers attending the-



se schools has been growing steadily: from 12-13 per cent in 1965 to 50 per cent in 1981 and, hopefully, to 85-90 per cent by the year 2000. The corresponding figure for the high schools are expected to grow as well—from 12 per cent in 1981 to 40-50 per cent by the year 2000 (this level was reached in the large seaport cities in 1982).<sup>3</sup>

The legalising of universal compulsory nine-year education is causing a mixture of joy and concern in China. The previous numerous universal-education campaigns gave rise to skepticism about big figures characterising the quantity, but not the quality of education. Still memorable is the campaign in the late 1960s and early 1970s in which many primary schools were given sign boards of secondary schools, even though the curricula and teaching remained unchanged. An article entitled "In Making Education Compulsory, One Cannot Gain Speed Blindfold"<sup>4</sup> cites the example of Zuoyun district in Shanxi province where secondary schools tend to increase the number of applicants admitted, regardless of the local conditions. And those conditions are especially tough in rural areas where there is an acute shortage of school equipment and, worst of all, of teachers. The article says in this connection that first, it is necessary to consolidate the achievements made, that is, to improve the quality of primary education. This view has been supported by the national press.

The problem of making education universal is not easy; it is linked with economic and social matters. Some educators in China say that population factors also have to be taken into account. The birth rate was a lot lower in the early 1980s than in the early 1970s. A hasty expansion of the network of secondary schools, proceeding from the present number of pupils in the primary schools, will lead to a situation where a lot of classrooms will stay empty a few years later. The number of pupils at primary schools dropped to 133.7 million in 1985 mainly because the number of first-year pupils had decreased. Children born in 1980 and 1981 will be leaving primary school in 1990 and 1992 and, according to the Education Department of Yichun district (Jiangxi province) the number of school graduates will decrease in several regions almost by half. So, by marking time for a while, it will be possible, in a few years, to make nine-year education universal in Jiangxi province by accommodating another 280,000 pupils. The province now has 2,889 schools providing secondary education, so each will have to admit extra 100 pupils, and no new schools will be required.<sup>5</sup> This situation is typical for the whole of China.

Admitting children of relevant age group to secondary schools is only part of the problem. It is likewise important to ensure that all of them stay there till the end, for the number of dropouts from those schools still tends to grow. In an economically developed district in Heilongjiang province the percentage of dropouts jumped from 20 per cent in the latter half of the 1970s to 72.3 per cent in 1984.<sup>6</sup> But this is the district's average and does not mirror the situation that exists throughout the country. In fact, in a village school about 76 per cent of the pupils drop out during the first year and 52.6 per cent of the remaining—during the second year. During the third year, the percentage of dropouts goes down to 15 (because third-year pupils are usually those who intend to pursue their studies). One secondary school in Zuoyun district in Shanxi province has 52 first-year pupils, 47 second-years and only 17 third-year pupils.<sup>7</sup>

For decades now, the shortage of resources and skilled teachers has been and remains a major obstacle impeding the promotion of universal education in China, although government allocations for education have been growing. In 1981, they totalled 10.5 per cent of the state budget, during the Sixth and the Seventh Five-Year periods the spending

is to go up to 15, and later, to 20 per cent (discounting capital construction spending). As for the structure of China's expenditure on education, it will remain unchanged during the Sixth and the Seventh Five-Year Plan periods. This means that 40 per cent of the allocations will go into primary education, another 40 per cent into secondary education, and 20 per cent into higher education. During the Seventh Five-Year Plan period, the government plans to invest 116.6 billion yuan in education, which will be a 72 per cent increase over the previous five years (but one should allow, of course, for the considerable increase of prices during those years). China's budget remains tight, so the government will only subsidise the schools that train personnel for the public sector of the national economy and specialists for handling economic priorities and promoting the development of sciences and technology. Government allocations are largely spent to promote higher educational establishments and most important schools, to subsidise vocational schools and backward regions, especially areas where ethnic minorities live.

As for the rest of the schools, the strategy outlined in the universal education law is to make the best of the resources and opportunities made available by the current economic reform; in other words, to mobilise resources of the cooperative sector, private enterprises, public organisations and the Party, contributions from the Chinese living abroad, etc., for the promotion of education.

Just about all the schools opened in rural communities since the late 1950s are public-funded, so the increase in government allocations is spent, above all, on urban schools. Between 1981 and 1985 the annual education allocation growth averaged 21.7 per cent in Wenzhou, Zhejiang province, while two backward mountain districts in that province had corresponding figures of 7.4 and 3.2 per cent a year.<sup>8</sup>

The 1985 Resolution enhanced the local governments' responsibility for the promotion of education by introducing financial and other sanctions. The principle of the local governments' responsibility has been termed "the main link" in the promotion of education. Article 12 of the 1986 Education Law says: "Funds for the compulsory education programme and capital construction are provided jointly by the State Council and local people's governments and should be guaranteed... The growth of state allocations for compulsory education should exceed the growth of ordinary financial revenues" by 5 per cent at provincial level and 2 per cent at regional, city, and district levels. The authorities concerned were obliged to invest at least 20 per cent of their circulating funds in education as of 1986 (provincial authorities were also obliged to allocate for these purposes a certain amount of hard currency).<sup>9</sup>

There are plans to increase allocations for education (with capital construction) from 3.5 per cent of the national income (in 1983) to 6 per cent, by drawing on the national, provincial, district and local budgets. The size of the education tax is to be brought in line with per capita incomes, so it has been proposed to raise it for factory workers and employees from 1.5 to 5 per cent of the basic pay.<sup>10</sup>

As an extraordinary measure in building new schools, collective donations have been raised and will average several millions and even several dozen millions yuan per district.

Tuition has been a regular source of funds for a long time. It is divided into tuition proper (*xuefei*) five to seven yuan per semester at a secondary school—and school needs payments (*zafei*) which amounts to 20-50 yuan per semester.<sup>11</sup> Article 10 of the law of universal nine-year education states: "The State does not collect tuition from pupils receiving compulsory education. The State grants allowances to the poor and helps needy pupils." For decades, tuition has been a considerable source of support for education in China. Therefore, some members of the National

People's Congress expressed concern during its Fourth Session in April 1986 that abolition of tuition, unless substantiated by adequate financial provisions, might increase the school needs payments. The fears are justified. Since the beginning of the 1986/87 school year, the principals of several schools in Wenquan region, (Sichuan province) have been inventing all sorts of reasons for collecting money from pupils (they call it "agreed payments" and the money is used to purchase equipment, electrical appliances, to pay for repair work, etc.).<sup>12</sup>

Compensation for the abolished tuition should be provided by the so-called extra education tax. By decision of PRC State Council, that tax has been levied, by way of experiment, in many provinces since 1985. All factories, agencies, and people engaged in private enterprise have been paying that tax since 1986 in accordance with the "Provisional Statute on Tax for the Needs of Education" adopted by the State Council. The tax is believed to provide a reliable source of funds for rural schools. Until recently, deductions from local government budgets that were not specified by legislation, varied according to the economic situation and local subjective factors. Today, all collective, joint-stock, individual and family enterprises (including those operating in villages and localities) pay extra monthly education tax amounting to one per cent of the output, added value, and business tax.<sup>13</sup>

In the late 1970s China attempted to set up special authorities to manage and finance rural schools at the district level. But in the 1980s the general course was to place primary schools under the jurisdiction of local and village authorities, while secondary schools were to be managed by district authorities. Apart from state subsidies, the school budgets are made up mainly of deductions from the profits of local agricultural and forestry farms, processing factories and auxiliary enterprises.

School budgets are supplemented by the profits of small school enterprises that employ adult workers and provide practical training for pupils. Those profits totalled 1,320 million yuan in 1985 and 4,120 million yuan between 1981 and 1985, of which 2,290 million, or approximately 33 per cent, was spent directly on education.<sup>14</sup> The national conference convened in May 1986 to sum up the results of and outline prospects for the work-and-study movement stated the intention to expand that source of finances. This is how it is done in practice. The profits of the plastics workshop of the Yucai school in Peking make up five per cent of the school's budget. In 1984, each teacher of secondary School No. 2 of the Peking Pedagogical University was paid 450 yuan in addition to the annual salary and this money came from the profits of the school enterprises. We had opportunity to see such workshops when we visited School No. 2 in Guangzhou. One of these shops manufactures shoes from cloth brought from Hong Kong. These shoes are exported and annually yield a profit of 60,000-80,000 yuan on the average. Another shop produces electric equipment for manufacturing-industry plants, making a profit of 15,000 yuan a year. In all, the workshops' profits amount to a quarter of the government subsidies to schools.<sup>15</sup>

The education reform is to be combined with the economic reform in a system of various schools to serve certain sectors of the national economy. An important role in the system is reserved for vocational schools of various levels.

According to the 1985 Resolution, the primary vocational schools which provide secondary general education, are a form of universal education. The financing of these schools by factories and agencies make many Chinese believe that they will help finance the universal compulsory education programme. The network of secondary vocational schools is also being expanded. New technical and vocational schools have been opened, and part of the high schools have been transformed into vocational

schools. As the network of one-family rural enterprises grows, more and more rural residents want to get vocational training. Besides, with competition gaining momentum, factory managers come to realise the need for skilled personnel. Vocational schools are also supposed to train skilled personnel for collective enterprises.

Some 14 million youngsters will come out of secondary schools in 1990 (the 1985 figure was about 10 million). About 40 per cent of them (6.6 million) will enter high schools (more than 4 million did in 1985); 3.3 million are expected to pursue studies at vocational, technical schools and other specialised secondary schools; 800,000 graduates of high schools will get higher education; 2.5 million will get on-the-job training outside the system of public education. These figures are a reason enough to considerably expand the network of vocational schools. The number of pupils to be admitted in 1990 to vocational and specialised secondary schools of various types (with emphasis on the variety) has been estimated at 3.6 million—a 65-per cent increase over 1985, as envisaged by the 7th Five-Year Plan.<sup>16</sup>

Vocational training has a lot of problems to tackle. According to a survey conducted by the Science and Education Research Centre of the South-Chinese Pedagogical University, the all-industry skill rating has gone down from 3.92 during the 1st Five-Year Plan period to current 3.12.<sup>17</sup> Vocational and technical secondary schools fail to train enough specialists and to provide training for the most needed trades and professions; the shortage of skilled personnel is especially acute in agriculture and the non-production sphere. All provinces are voicing more and more often the need for gearing vocational training and college education to local specifics. Experts at the Education Research Centre of Fujian province propose re-adjusting the provincial education system to meet the needs of the provincial economic structure, which consists of small factories, processing-industry enterprises and a rapidly growing non-production sphere. In Guizhou province, where two-thirds of the villages are engaged in livestock breeding, only 9.1 per cent of the pupils of secondary schools and 9.5 per cent of students of higher educational establishments are majoring in agriculture.<sup>18</sup> Very few of the specialised secondary schools there have departments that train experts in food industry, the higher educational establishments have none at all, even though this industry is a leading branch of the provincial economy. This discrepancy could be rectified through exchanges of specialists among provinces. Proposals to that effect have been put forward, but nothing has been done so far.

Various provinces encounter similar problems in the field of education. There is a number of new socio-economic factors like farmers' abandoning land, intensive development of urban-type settlements, gradual changes in the structure of agricultural output (with the role of farming decreasing) which call for a rapid promotion of the network of agricultural schools and a revision of the list of professions for which training is provided at agricultural higher educational establishments.

Forty per cent of the farmers living in rapidly developing regions have quit farming of late, staying in rural communities or moving to urban-type settlements.<sup>19</sup> There were 53,000 settlements in 1981, where half of the people were employed in the manufacturing industry, auxiliary crafts, or in the services. Major agricultural fairs are permanently open in those communities and specialisation is growing more profound. All this highlights the need for skilled manpower and a new type of rural residents whose level of literacy and technical knowledge should be higher than before. Today, most pupils of secondary schools attend enlarged schools established at urban-type settlements, and more and more

people in China are calling for special efforts to turn these settlements into agricultural training centres, with consultations provided on television and by correspondence. In other words, it is proposed to give priority to those schools in promoting education in rural areas.<sup>20</sup> The setting up of bigger schools in rural communities, especially in mountainous regions, is not a new task for China. But it has not been carried out to date.

Measures have been taken in recent years to get more young people into vocational training schools. The 1985 Resolution grants employment privileges to graduates of these schools. Those privileges are to be largely substantiated by the PRC State Council's provisional resolutions on a labour system reform introducing contracts.<sup>21</sup> First steps are being taken to establish connections between middle-level vocational schools and higher educational establishments. As of the 1986/87 school year two per cent of the best graduates of specialised secondary schools have the right to enter higher educational establishments and pursue studies in their chosen field.

One of the key problems hindering the introduction of compulsory secondary education in China is the shortage of skilled teachers, especially in rural areas. As a provisional measure the national authorities have sent more than 3,000 teams of teachers to rural communities in 1985. Experienced teachers provided advice and consultations for their colleagues in village schools. The experiment was found successful, and the Chairman of the PRC State Committee for Education, Li Peng, told a national working conference on education in March 1986 that similar steps were being introduced throughout China. Besides, new teacher training schools and departments at higher educational establishments have been opened in recent years, and special efforts are being made to recruit more young people to these schools (there are special-purpose intake plans, scholarships, etc.). More and more people complete television and correspondence teaching courses.

The Law of Universal Nine-Year Education outlines specific measures intended to improve the quality of teaching. Article 13 says that "the state is steadily working to ensure that primary-school teachers have at least a specialised secondary education and teachers of secondary schools—at least a higher specialised education". The quality of teaching is also to be improved by qualification exams for teachers, recently introduced in China for the first time. Two types of exams are conducted to test teachers' knowledge and teaching skills.<sup>22</sup>

The problem of making primary education and, later, secondary education, universal had to be resolved a long time ago and the People's Republic of China has launched several programmes towards this end. This time, however, the education reform outlines a complex of specific measures aimed at consolidating the material basis of public education, promoting vocational training, modernising school curricula and teaching methods and at establishing a teacher-training and re-training system which, hopefully, will eliminate the obstacles impeding the universal education programme. But one cannot ignore the new difficulties that emerge—the stratification of schools by category, absence of uniform curricula and the decentralisation of education which may turn local education networks into self-contained systems isolated from each other.

The absence of any provisions regulating the social composition of students (the current slogan is: "Everyone is equal before the school marks") and the existing system of most important schools are part of the current "priorities policy". The education reform cannot yet resolve the major social contradiction constantly affecting China's educational system—the contradiction between the necessity to make the most effective

ve use of the nation's intellectual potential and the need to transform the social structure so as to ensure social equality.

NOTES:

- <sup>1</sup> *Renmin ribao*, April 8, 1986.
- <sup>2</sup> In the 1985/86 school year there were 76,000 nine-year secondary schools in the PRC, with 38.6 mln pupils.
- <sup>3</sup> *Jiaoyu yanjiu*, 1985, No. 5, p. 16.
- <sup>4</sup> *Renmin ribao*, July 6, 1986.
- <sup>5</sup> *Jiaoyu yanjiu*, No. 3, 1986, p. 22.
- <sup>6</sup> *Ibid.*, No. 8, 1985, p. 33.
- <sup>7</sup> *Renmin ribao*, July 6, 1986.
- <sup>8</sup> *Jiaoyu yanjiu*, No. 2, 1986, p. 59.
- <sup>9</sup> *Ibid.*, No. 3, p. 9.
- <sup>10</sup> *Ibid.*, No. 5, 1985, p. 16.
- <sup>11</sup> In a locality of Zuoyun district (Shanxi province) annual per capita education payments average from 6.7 to 10 yuan without capital construction taxes. This is tolerable for the richer villagers but too much for the people of the poorer villages in the mountains and other areas. In Jiangsu province, the unified education payments totalled 100 million yuan in recent years—half of the overall provincial expenditure on education.
- <sup>12</sup> *Renmin ribao*, Oct. 3, 1986.
- <sup>13</sup> *Renmin ribao*, May 8, 1986.
- <sup>14</sup> *Ibid.*, April 13, 1986.
- <sup>15</sup> These are local statistics.
- <sup>16</sup> *Guangming ribao*, April 15, May 8, 1986.
- <sup>17</sup> *Jiaoyu yanjiu*, No. 9, 1986, p. 34.
- <sup>18</sup> *Ibid.*, No. 9, 1985, p. 11.
- <sup>19</sup> According to official statistics, 40 per cent of China's rural population will be employed at factories in rural localities and urban-type settlements by the year 2000. Another 10 per cent will have moved to cities and towns, and only 50 per cent will be employed in agriculture (*Jiaoyu yanjiu*, No. 8, 1985, p. 28).
- <sup>20</sup> *Jiaoyu yanjiu*, No. 6, 1985, p. 46.
- <sup>21</sup> *Renmin ribao*, Sept. 10, 1986.
- <sup>22</sup> *Ibid.*, Oct. 2, 1986.

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## SUN YATSEN ON SOCIAL PROGRESS

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 125-126

[Article by M.L. Titarenko, doctor of philosophical sciences]

At turning points in human society's development, revolutionary forces and their ideologists inevitably face the issue of the goals of the struggle and the choice of a way to achieve them. In such periods the idea of social progress, its goals and driving forces come to the foreground one way or another among philosophers and politicians. Sun Yatsen arrived at the idea, too.

Why pay so much attention to it? Because it is the interpretation of the idea of social progress that manifested most clearly the strong and weak points of Sun Yatsen's teaching. It is in this interpretation that he approached most closely the understanding of the dialectics and driving forces of social processes. His understanding of social progress took shape also under the influence of old ideas of circulation in nature, of the unity of heaven, earth and man, and of the dialectical interaction of the *yin* and *yang* forces. Mo Di's utopian concepts of "universal love" and the origin of power and the state, Confucius' idea of the "great unity" (*datong*), legists' ideas of law-abiding, and Buddhists' ideas of spiritual self-perfection played a special role in the formation of Sun Yatsen's outlook. The sociology of Western Enlighteners, especially US moralist Henry George, had a great impact on Sun Yatsen's general moral and humanist approach to the interpretation of the driving forces of social development.

The ideas of moral persuasion and moral example well developed by Confucius, Mo Di and Western Enlighteners, as a stimulus to the perfection of man and the state prevailed in Sun Yatsen's teaching up to the early 1920s.

In his well-known work, *The Three Popular Principles*, Sun Yatsen considers criteria of social progress and singles out the degree of democracy with which he links peace, tranquility and happiness of peoples, as the main one.

"I think the progress in China started much earlier than in Europe and the United States, and democracy started to be discussed long ago, several thousand years back. True, those were only discussions never translated into life. Europe and the US have known republics and democracy for 150 years now. The ancient Chinese had an idea of democracy, too. So if we want lasting peace and tranquility for our country, if we want happiness for the people, if we want to keep pace with world development, we cannot but turn to democracy."<sup>1</sup>

This approach of Sun Yatsen to the solution of problems of the country's development showed the strongest revolutionary-democratic aspect of his teaching, which Vladimir Lenin valued very highly: "The revolutionary bourgeois democracy, represented by Sun Yatsen, is correct in seeking ways and means of 'renovating' China through maximum development of the initiative, determination and boldness of the peasant masses in the matter of political and agrarian reforms."<sup>2</sup>

Sun Yatsen's works at our disposal show that the philosophy of social action was underlied by the struggle for the country's political and national emancipation and for a republican China as a necessary stage in

social progress. At the same time, the theoretical works emphasise that "supreme principles and conscience further moral civilisation".

The Great October Socialist Revolution in Russia had a great ideological impact on China and on all currents in the Chinese people's liberation movement. Chinese and Soviet scholars have thoroughly studied the process of accelerating the rates of socio-political upsurge in China under the influence of the October revolution. The following is of fundamental importance in this case: in the 1920s, Sun Yatsen introduced substantial changes in his concept of social progress. He specified (to a certain extent) the concepts of a "happy Chinese state" of the future and "revolution". Issues pertaining to the goals and tasks of the Chinese revolution and China's allies in the solution of Chinese society's major problems were given first priority in his speeches and articles.

Sun Yatsen emphasised that decades of misunderstanding of the goals of the struggle and effective ways of building a "wonderful and majestic Chinese Republic" was a constraint on Chinese society's development. In the well-known *Letter to the People's Commissariat of Foreign Affairs of the RSFSR* (1921) he wrote he was extremely interested in experience obtained in the formation of Soviets, the army and the education system.

In his last years, Sun Yatsen grew to understand the urgent tasks and goals of the Chinese revolution aimed at removing the colonial and feudal fetters. He deeply realised the need for a close union with the USSR and was an ardent advocate of Soviet-Chinese friendship. Sun Yatsen wrote in his telegram to Lev Karakhan in the autumn of 1923: "The real interests of our countries demand a common policy which will give us an opportunity to live on the basis of equality with other powers. This policy will also help us free ourselves from the political and economic slavery imposed by the international system which relies on force and employs methods of economic imperialism."

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NOTES:

<sup>1</sup> Sun Yatsen, *Collected Works*, Moscow, 1985, p. 458.

<sup>2</sup> V. I. Lenin, *Collected Works*, Vol. 18, p. 168.

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## STUDY OF CHINA, EASTERN CULTURE IN UZBEKISTAN DESCRIBED

Moscow PROBLEMY DALNEGO VOSTOKA in Russian No 2, Mar-Apr 87 (signed to press 5 Mar 87) pp 152-157

[Article by B.A. Akhmedov, doctor of historical sciences, and M.Kh. Makhmutkhodzhayev, candidate of historical sciences (Tashkent): "Chinese Studies in Uzbekistan from 1918 to 1984"]

[Text] Central Asia's cultural contacts with China have a history spanning many centuries and dating back to antiquity. This is probably the reason for the Central Asian historians' great interest in studying the Chinese people's ancient culture and the Chinese society's sociopolitical problems. Information about China can be found in almost all of the works of medieval historians, geographers, and other representatives of the sciences in Central Asia. Important and valuable information about the history and culture of the peoples of China can be found, for example, in the works of Tabari (839-923), al-Idrisi (1100-1165), Ya'kut (1179-1229), Ibn al-Asir (died 1232), Ibn Battuta (1304-1372), Sharaf ad-Din Ali Iezdi (died 1454), Fasih Ahmad Havafi (1375-1442), Abd ar-Razzak Samarkandi (1413-1482), Zahir ad-Din Babur (1483-1530), Hafiz-i Tanysh Buhari (1549-?), Mahmud ibn Vali (1596-?), Mirza Alim Tashkandi (second half of the 19th century), mullah Niyaz Mahammad Hukandi (1802-1876), and others. This information usually concerned Central Asia's diplomatic and trade relations with China, and sometimes the political relations between the two.<sup>1</sup>

The thorough and comprehensive study of China's history, its culture, and its interrelations with Central Asia was begun in earnest in Uzbekistan in the first years of Soviet rule and was connected with the establishment of the Turkestan Oriental Institute--the first higher academic institution in Central Asia--in Tashkent in September 1918. It was initiated by prominent Orientalists V.N. Kachurbayev, M.S. Goritskiy, P.Ye. Kuznetsov, and others.

The Turkestan Oriental Institute was supposed to train highly qualified specialists for the Central Asian republics. They were to have a fluent command of Oriental languages and a knowledge of the history and culture of the peoples of the Soviet east and the peoples of the foreign eastern countries adjacent to Central Asia. There were two divisions of the institute: ethnolinguistic and pedagogical. Students took general educational courses during the first 2 years of instruction and usually began specializing in the third year.<sup>2</sup>

In spring 1924 the Turkestan Oriental Institute became part of the Central Asian State University (now Tashkent State University imeni V.I. Lenin), as its School of Oriental Studies, which existed until September 1930. In spite of its brief existence, the Turkestan Oriental Institute trained numerous qualified Orientalists, many of whom later became scholars renowned in our country and far beyond its borders. The list could include linguists A.K. Borovkov, K.K. Yudakhin, and R.L. Nemenova, and historians P.P. Ivanov, V.A. Shishkin, O.A. Sukhareva, and A.Yu. Sokolov.

In the grim days of the war, the School of Oriental Studies of Tashkent State University resumed its work in August 1944 by a decision of the party and government. This decision was made in connection with the prospects for the development of economic, political, and cultural relations with foreign eastern countries. The school had four departments from 1944 to 1947, one of which was the Department of East Turkestan Philology, then headed by G.S. Sultanov. In fall 1953 this department became the Department of Uighur Philology, headed by I.A. Kissen, one of the outstanding Turkic scholars in the republic. The department offered courses in the following subjects: the Uighur language (U.M. Mamatakhunov, K.M. Meliyev, V.A. Dolotin, and I.I. Ismailov), physical and economic geography (N.G. Tsapenko), the history and culture of East Turkestan and China (U.M. Mamatakhunov and M.I. Molozhatova), and others. The Chinese language was introduced as an additional Oriental language in the 1954/55 academic year (V.A. Dolotin, M.I. Molozhatova, and others). The Tashkent State University Department of Uighur Philology was concerned mainly with the training of teachers of the Uighur language and literature for secondary schools in Uzbekistan and Kazakhstan (with instruction in the Uighur language) and scientific personnel for the academies of sciences in these republics.

In 1958 the Department of Uighur Philology became the Department of Chinese Philology, in response, in our opinion, to the growing interest in the history and culture of the Chinese people. After the department had been reorganized, it was staffed by such experienced pedagogues as M.I. Larionov, O.A. Vagin, N.I. Levushkina, M.D. Kim, S.K. Rozbakiyev, I.N. Komarova, and others.

In 1977 the Tashkent State University Department of Chinese Philology became one of the main departments of the School of Oriental Studies. At the present time, 54 students are taking courses in 8 academic groups of the Chinese division and are studying the history, economy, and government structure of China in addition to languages (Chinese and Uighur).

The professors and instructors in the Department of Chinese Philology are successfully combining their pedagogical work with scientific and scientific-organizational endeavors. Department instructors have published over 50 monographs, brochures, and scientific and popular-science articles with a combined length of around 50 printer's sheets to date. They include such works as "The Liberation Movement of the Non-Han Ethnic Groups of Yunnan Province in the 1850's and 1860's" (M.Kh. Makhmutkhodzhayev), "The CCP and the Anti-Imperialist Movement in China's Cities from 1927 to 1937" (M.K. Mirdzhalalov), "The Democratic League in China" (V.S. Kim), "Romanticism and

Realism in the Epics of Uighur Poets of the 18th and 19th Centuries" (U.M. Mamatakhunov), "The Portrayal of the Liberation Struggle of the Peoples of East Turkestan in Works by Soviet Uighur Writers" (S.K. Rozbakiyev), "The Portrayal of Women in Chinese Prose of the 1820's and 1830's" (G.Ch. Muldakulova), "Zou Taofeng's News Articles about the USSR" (N.Ye. Khokhlov), "A Comparative Analysis of Chinese and Uzbek Verbs" (A.A. Karimov), and others.

The faculty members of the Department of Chinese Philology have taken an active part in the work of various conferences of Orientalists and Sinologists and have presented reports and papers. From 1977 to 1985 alone, M.Kh. Makhmutkhodzhayev, S.K. Rozbakiyev, G.Ch. Muldakulova, M.K. Mirdzhalalov, and others presented scientific reports on Chinese linguistics, the history of the Chinese language and literature, and the sociopolitical history of China and East Turkestan at 28 university, school, republic, and all-union conferences.

The Department of Chinese Philology has played a significant role in the training of highly qualified specialists. For example, over 100 people who are now working productively in the republics of Central Asia, Kazakhstan, and the RSFSR, as well as outside the country (in the Mongolian People's Republic), graduated from it just between 1962 and 1984. Fifteen of them (K.Sh. Khafizova, R.M. Aslanov, M.A. Aslanova, A.Kh. Khodzhayev, M.Kh. Makhmutkhodzhayev, and others) successfully defended candidate's dissertations.

The history and culture of the peoples of China are also being studied in institutes and establishments of the republic academy of sciences. Several literature projects are being conducted in the Language and Literature Institute imeni A.S. Pushkin of the Uzbek SSR Academy of Sciences, and two of these are now in their final stage. These are the monograph by Candidate of Philological Sciences A. Bakiyev, "From the History of the Study of Uighur Epic Poetry," and the work by Candidate of Philological Sciences D. Ruziyeva, "The Life and Works of Abdurakhim Nizari." The first work examines the development of the epic genre in Uighur classical literature, as illustrated by the poetry of Yusuf Has Hajib Balasagunskiy (11th century), Ahmad Yugnani (12th century), Hirkati (1634-1724), Zalili (first half of the 18th century), mullah Shakir (1805-?), Bilal Nazim (1825-1906), and others. Hirkati's poem "Muhabbat va mehnatkam" ("Love and Suffering"), which occupies a prominent place in the epic poetry of the Uighur people, is analyzed in detail in this work. The work by D. Ruziyeva is a comprehensive study of the life and works of famous Uighur poet Abdurakhim Nizari (1776-1849), whose works "Leili and Mejnun," "Farhad and Shirin," "Vamig and Uzra," "Char Darvish," and others reflect the progressive ideas of the peoples of East Turkestan in the 18th and 19th centuries and occupy an important place in the culture of its people.<sup>3</sup>

The Museum of the History of the Peoples of Uzbekistan of the republic academy of sciences imeni M. Aybek has a large collection of Muslim and Chinese coins, including coins minted in the cities of East Turkestan (Yarkende, Aksu, and Kuchara) in the 18th, 19th, and early 20th centuries. They are of indisputable interest in the study of the socioeconomic affairs

of East Turkestan and its administrative and government structure. Museum researcher I. Tukhtiyev is now conducting a study in this field.

Many studies of Chinese medieval history and the historical and cultural ties between the peoples of Central Asia and China are being conducted in the Oriental Studies Institute of the Uzbek SSR Academy of Sciences.

Several important monographs had already been written within the walls of this institute in the 1950's and 1960's, the most noteworthy of which are A.P. Savitskiy's "Xinjiang as a Bridgehead for Foreign Intervention in Central Asia" (1950), Kh.Z. Ziyayev's "The 1826 Rebellion in East Turkestan" (1952), I.G. Polinov's "Xinjiang at the Time of the Chinese Revolution of 1911-1913" (1953), R.Kh. Sharafutdinov's "The Resolution of the Question of Nationality in Xinjiang Province After the Victory of the Chinese People's Revolution" (1954), E.M. Mamedova's "History of the Politico-Economic and Cultural Interrelations of the Peoples of the Turkestan Territory and Xinjiang from the Middle of the 19th Century to 1917" (1962), and M. Kutlukov's "The National Liberation Movement in Xinjiang in 1944-1949" (1963).

In the 1970's and 1980's republic Sinologists published several interesting works on various aspects of the history and culture of the peoples of Central Asia and China.

The monograph by A. Khodzhayev, "The Qing Empire, Jungaria and East Turkestan (the Colonial Policy of Qing China in the Second Half of the 19th Century)" (1979), based on Chinese and local sources, reveals the undemocratic essence of the Qing empire's policy in Jungaria and East Turkestan from 1864 to 1877. The popular movement in Jungaria and East Turkestan from 1864 to 1877 and its suppression by Qing troops are discussed at length in the work.

A work by A. Bakiyev, "Uighur Lyrical Folk Poetry" (1978, in Uzbek), is a study of several genres of Uighur lyrical folk poetry and the distinctive features and patterns of their development. The most interesting sections of the work deal with the poetry of Sadyr-palvan Hushamad-ogly (1797-1871) and Nazugum (first half of the 19th century), who were among the leaders of the anti-Qing rebellion in East Turkestan in 1818-1824, and of Sarihan-banu (1835-1865), the famous poetess and educator of the Uighur people of the last century.

The works of B.A. Akhmedov, "Mahmud ibn Vali. Sea of Mystery" (1977) and "The Historico-Geographic Literature of Central Asia" (1985), gave the academic community access to valuable Persian and Turkic sources. The reports of Russian ambassadors of the 16th, 17th, and 18th centuries are interesting and contain valuable information about the socioeconomic and political history of Central Asia and the political and trade relations of the Bukhara, Khiva, and Balkh khanates with foreign eastern countries and Russia.

Orientalists in Uzbekistan have also completed several other important studies and are now preparing them for publication.

"The Cultural, Trade, and Economic Relations Between Central Asia and East Turkestan from the 16th Century to the 19th," a work by M. Kutlukov, is based primarily on Persian and Turkic sources and is a study of the political, trade, economic, and cultural contacts between the peoples of Central Asia and East Turkestan in the 16th-19th centuries. The detailed discussion of the joint struggle of the peoples of Central Asia and East Turkestan against the aggression of Jungarian feudal lords and the Qing empire is noteworthy.

The monograph by S.R. Rozbakiyev, "Great October and the Birth of Uighur Progressive Literature," traces the development of progressive Uighur literature under the beneficial influence of the victory of the Great October Socialist Revolution and the untarnished ideals of V.I. Lenin. The development of the literature of the Uighurs living in the Soviet Union and its effect on the general development of literature in East Turkestan are the object of special discussion in the work.

In the monograph "The Nationality Policy of the Kuomintang (1927-1937)," M.Kh. Makhumtkhodzhayev examines the nationality policy of the Kuomintang leaders in relation to the peoples of southern China, who rebelled to rid themselves of the reactionary Kuomintang regime, and the legal and socio-economic aspects of the Nanking government's policy on the non-Han nationalities in southern China.

The creation of a new department in the Oriental Studies Institute of the Uzbek SSR Academy of Sciences, a department studying the historical and cultural interrelations of Central Asia and China (established in September 1978), opened up a new field of research for republic psychologists--the study of Arabic sources and the analysis of information in Arabic, Persian, and Turkic works of the 10th-19th centuries on the history of China and East Turkestan and on Central Asia's relations with China in the past. The large collection of works in Oriental languages (over 30,000) in the Oriental Studies Institute of the Uzbek SSR Academy of Sciences, works covering various fields of medieval science--history, geography, literature, philosophy, and the natural sciences--offered extensive opportunities for the development of research in this area.

Current works in progress include several translations and Russian- and Uzbek-language editions of individual works and excerpts from these works, collected in anthologies. For example, an annotated Russian translation of the original work of renowned Central Asian historian Mirza Muhammad Haydar, "Tarih-i Rashidi" (The Chronicle of Rashid), dealing with the sociopolitical history of Mogolistan,<sup>4</sup> East Turkestan, and Central Asia in the 14th, 15th, and early 16th centuries, has now been completed.

Another important project, in our opinion, is a publication now being prepared in the Oriental Studies Institute of the Uzbek SSR Academy of Sciences, "Giyas ad-Din Nakkash's Trip to China," representing an annotated Russian translation of the corresponding section of the work by Hafiz-i Abru (died 1430), "Zubdat ad-tavarih-i Baysunkuri" ("Episodes from the History of Crown Prince Baysunkur"), an account of a trip to China in 1419-1422 by a Timurid legation headed by Giyas ad-Din Nakkash. The publication contains

important historical, geographic, and ethnic information and will be of great value in the study of Central Asia's cultural contacts with China in the past.

Arabic, Persian, and Turkic sources were used as the basis for the compilation of two anthologies. The first of these, "Documents on the History of Middle and Central Asia," includes annotated Russian translations of excerpts from works of the 10th-19th centuries containing valuable factual information about the sociopolitical history and ancient culture of the peoples of Central Asia, Kazakhstan, and East Turkestan and about their cultural relations with foreign eastern countries, including China. The other anthology, "From the History of Central Asia and East Turkestan," is also based on Muslim documents and some Chinese sources, relates some little-known episodes from the history and the cultural and ethnocultural ties of the peoples of Central Asia and East Turkestan, and contains new information about the history of the peoples of Central Asia and East Turkestan from the 15th century to the 19th. The anthology includes articles on historical place names, revealing the distinctive nature of the names of ancient Central Asian cities and villages.

Anthologies of this kind are to be published regularly. We are firmly convinced that this will contribute to the comprehensive and thorough study of some little-known aspects of the history of Central Asia, Kazakhstan, and East Turkestan, especially Central Asia's economic (trade), political, and cultural relations with China.

In general, it is significant that the cultural and trade relations of the peoples of Central Asia and China in the Middle Ages are still the main concern of Uzbekistan's Sinologists and this work will be continued in the future. They will concentrate on the study of Arabic, Persian, and Turkic works of the 10th-19th centuries and on the publication of annotated translations of relevant sections of these works.

#### FOOTNOTES

1. We prepared annotated Russian translations of excerpts from works by these scholars for the publication entitled "Documents on the History of Middle and Central Asia."
2. For more about the institute and its activities, see "Turkestanskiy vostochnyy institut (1918-1922)" [The Turkestan Oriental Institute (1918-1922)], Tashkent, 1924; B.V. Lunin, "From the History of the First Higher Academic Institution of Oriental Studies in Central Asia," in the book "Ocherki po istorii russkogo vostokovedeniya" [Essays on the History of Russian Oriental Studies], vol II, Moscow, 1968.
3. Selected works of the poet, including excerpts from his "Mahzun Gulnisa," "Char Darvish," and "Leili i Mejnun," were published in 1969 (V.P. Yudin, "Abdurakhim Nizari. Tallanma eserler," Almuta, 1969).
4. The term "Mogolistan" refers to the eastern part of the former Jagatai Khanate, including Tianshan, Semirechye, and Kashgar.

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## CHINESE ACADEMY OF SCIENCES DESCRIBED

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 127-133

[Article by I.I. Sarafanov]

The Chinese Academy of Sciences was established on 1 November 1949 under the State Administrative Council in accordance with the Law on the Establishment of the Central People's Government of the PRC adopted on 27 September at the First Session of the People's Political Consultative Council of China.<sup>1</sup> The Chinese Academy of Sciences took over the research organisations of the Central Academy (Academia Sinica established in Nanking in 1928) and the Peking Academy (founded in Peking in 1929).

The Chinese Academy of Sciences is the country's principal research centre in the field of natural and technical sciences.<sup>2</sup> It does and coordinates fundamental and applied research, develops new types of materials and technology, improves production techniques, participates in comprehensive studies of natural and agricultural resources, collects and analyses information about foreign scientific and technological achievements, cooperates with foreign scientific organisations and societies, drafts guidelines for scientific and technological development when instructed by the CPC Central Committee and the PRC State Council. It helps modernise the country's economic and military potential and also trains scientists, engineers and technicians.

Organisationally, the Academy includes five departments: physics and mathematics, chemistry, biology, the Earth sciences, and technical sciences. It effects scientific guidance of relevant research organisations. Besides, there is a science organisation sector within the Academy's structure.

The session of the Joint Scientific Council (JSC), convened twice a year, is the highest legislative body of the Chinese Academy of Sciences. An extraordinary JSC session may be held at the request of the Academy's Presidium. The session gives guidelines for the development of science and technology, approves or makes amendments to the Academy's Charter, elects the Academy's Presidium, approves research and development programmes, and considers reports by the Academy's President.

Organisationally, the Joint Scientific Council consists of the scientific councils of the Academy's departments. JSC members are elected by the departments. Numerically, the composition of a departmental scientific council is determined by the importance and volume of R&D undertaken by its research organisations.<sup>3</sup> Today, the scientific council of the department of physics and mathematics consists of 79 members, of chemistry—67, biology—89, Earth sciences—75, and of technical sciences—90.

The First JSC Session was held in 1955, the Second—in 1957 in Peking, the Third—in 1960 in Shanghai, the Fourth—in 1981, and the Fifth—in 1984 in Peking. China's domestic political campaigns resulted in a 21-year break between the Third and Fourth JSC Sessions. In 1955, the First JSC Session was attended by a delegation of Soviet scientists headed by the Vice-President of the USSR Academy of Sciences, Academician I. P. Bardin.

In 1955, the elected JSC members included 233 scientists, 172 of them working in natural sciences. During the "cultural revolution" (1966-1969) and the subsequent political campaigns, JSC activities were paralysed, with only 117 members surviving. In 1979 the Joint Scientific Council was revived and reorganised. In March 1981, with the State Council's approval, the Academy elected additional 283 JSC members, bringing the

membership to 400, including 15 women.<sup>4</sup> JSC members work in 114 research organisations, 27 ministries and departments of the PRC State Council and 44 higher educational establishments.<sup>5</sup>

The Presidium of the Chinese Academy of Sciences is its executive body in the period between JSC sessions. Presidium members are elected for the period of four years and may be re-elected for a second term. The Presidium, composed of 29 members elected at a JSC session, meets three or four times a year. In keeping with the Academy's Charter, two thirds of the Presidium are elected from among the JSC members and one third—from among the PRC State Council's representatives and party bodies of the Chinese Academy of Sciences. The Presidium elects the President and Vice-Presidents of the Academy for a two-year term and also Executive Chairman for a four-year period. The Executive Chairmen convene the Presidium, one of them chairing the session. The Presidium appoints a Chief Scientific Secretary and his Deputy.

In 1984, Lu Jiaxi was elected President of the Chinese Academy of Sciences for a second term, Yang Dongsheng, Zhou Guangzhao and Sun Honglie were elected Vice-Presidents, the first also for a second term.

In 1981, Yan Jici, Li Chang and Wu Zhonghua were elected Executive Chairmen for four years. In 1984, three more Executive Chairmen were elected: Lu Jiaxi (President of the Chinese Academy of Sciences), Wu Heng and Qian Xuesen. Gu Cudian was appointed Chief Scientific Secretary.

In 1985-1986, the Chinese Academy of Sciences included 120 research organisations, of which 5 conducted research in mechanical and mathematical sciences, 13—physical, 15—chemical, 5—astronomy, 22—the Earth sciences, 27—biological sciences, 29—technical, 3—agricultural, and 1—the history of natural sciences.

Besides, the Chinese Academy of Sciences has five enterprises which develop and make special and unique research instruments and systems, the University of Sciences and Technology, a post-graduate course, scientific libraries and a publishing house.

Regions with the highest concentration of research organisations have 12 branches of the Chinese Academy of Sciences, which guide and coordinate their R&D efforts.

The period between 1981 and 1985 was marked by a quantitative and qualitative increase in research workers, technicians and other specialists of the Chinese Academy. In 1981, its system included 75,000 people, in 1983—78,500 and in 1985—over 80,000. Research workers, technicians and other specialists added up to 36,000 in 1981; 44,300 in 1983, and over 45,000 in 1985. These included 30,149 research workers and technicians engaged in research and development in 1981; 31,897 in 1982; 32,500 in 1983; 36,000 in 1984, and over 40,000 in 1985. There were 22,000 senior research workers and research workers in 1985, or 69 per cent of the Academy's research staff and their average age did not exceed 43 years. Top-class scientists and specialists accounted for 8 per cent.<sup>6</sup>

R&D activities involved 337,500 research workers and technicians in 1981; 371,800 in 1982; 328,100 in 1983; 334,800 in 1984, and 350,000 in 1985.<sup>7</sup>

According to official statistics, 20.3 per cent of the Academy's research workers and technicians were engaged in physical and mathematical sciences in 1981, 17.6 per cent in chemical sciences, 13.5 per cent—Earth sciences, 18.1 per cent—biological sciences, 29.1 per cent—technical sciences, 1.2 per cent—agricultural sciences, and 0.2 per cent—history of natural sciences. The research worker—technician ratio was 1:0.76.<sup>8</sup> In the period between 1982 and 1985, the ratio did not change.

The Academy's basic expenses account for 10 per cent of the state bud-



get appropriations for R&D. The State Statistical Board lists the purchase of equipment and materials under that budget item. In 1980, these expenses amounted to 600 million yuan, in 1981 to 644.7 million (+7.45 per cent), in 1982 to 668.9 million (+3.76 per cent), in 1983 to 678.7 million (+1.47 per cent), in 1984 to 714.7 million (+5.3 per cent), and in 1985 to 750 million yuan. Expenses per one research worker averaged 9,000 yuan annually.

In terms of the Academy's general expenses as provided for by the state budget, in 1981 R&D expenses accounted for 69 per cent and administrative expenses (including salaries) for the remaining 31 per cent. The corresponding figures for other years were: 1982—68.2 and 31.8 per cent; 1983—69 and 31; and 1984-1985—70 and 30 per cent.

In 1981, expenses for fundamental research accounted for 12 per cent of the overall R&D appropriations, for applied research—50, for development work—32, and for other activities—6 per cent. The relevant figures for other years were: 1982—15.4, 49.7, 31.5, and 3.4 per cent; 1983—16.4, 59.7, 20, and 3.9 per cent; 1984-1985—16, 60, 20, and 4 per cent.

In 1979 a trend toward minor research projects developed in the Academy's R&D activities. That was seen in the smaller appropriations for large and medium-scale R&D projects, which dropped from 57.2 per cent of the Academy's overall expenses in 1978 to 43.3 in 1979 and 25.4 per cent in 1983.<sup>9</sup>

Besides, the Chinese Academy of Sciences does a certain amount of R&D work and gives scientific, engineering and technical consultations on the basis of contracts it concludes with various ministries and departments of the PRC State Council, local authorities and big industrial enterprises. The share of contract research in the Academy's total volume of research increased from 20 per cent in 1980 to 60 per cent in 1985. In the latter year, 85 research institutes of the Chinese Academy of Sciences (70 per cent of all of its institutes) participated in R&D activities on several key programmes and projects of the Sixth Five-Year Plan of China's Economic and Social Development (1981-1985). This work involved nearly 5,000 research workers, engineers and technicians, or 16 per cent of the Academy's staff. By the end of 1985, all the R&D targets of the Sixth Five-Year Plan had been fulfilled.<sup>10</sup>

In recent years China has gained experience in doing research in the sphere of natural and technical sciences on the basis of research funds. The State Council authorised the Academy to distribute such funds nationwide. In 1982 a research fund was established within the Academy to finance R&D and a Research Fund Committee was set up to single out and finance the more important projects from among those proposed. In 1982, it selected 504 projects out of 1,454 and financed relevant R&D undertakings. Fundamental research accounted for 28 per cent and applied research—for 72 per cent. Higher educational establishments of the Ministry of Education accounted for 57.1 per cent of the projects selected by the Committee, research organisations of other ministries and departments of the State Council—for 22.7 per cent, local research organisations—7.9 per cent, the Academy's research organisations—5.2 per cent, and research organisations under its guidance—for 7.4 per cent.

In 1982, the overall appropriations from the research fund to finance R&D on the 504 projects amounted to 28.3 million yuan.

In 1983, the Research Fund Committee selected 949 projects out of 1,700 it had considered. Fundamental research accounted for 11 per cent, applied research—86.6, and development work—2.4 per cent. The overall appropriations from the research fund to finance R&D amounted to 41.13 million yuan.

In the four-year period between 1982 and 1985, the Research Fund Committee selected 4,424 projects. The overall appropriations from the

research fund to finance R&D on these projects exceeded 172 million yuan, or average 40,000 yuan per each project and 6,000 yuan per each research worker. More than 30,000 people from over 400 research establishments used allocations from the research fund.

Between 1982 and 1985, R&D financed from the research fund resulted in 8,228 prepared articles and papers, of which 3,097 were published inside and outside the country. The results of 163 works were highly acclaimed.

In 1985-1986, the Chinese Academy of Sciences allocated, for the first time, 2.51 million yuan to 140 young researchers (between 22 and 35 years old); including 13 scientists trained abroad.

In 1986, the Academy financed R&D on 600 research programmes and projects from its own research fund (20,000 yuan for each programme or project on the average). Yet the Academy was unable to provide financial assistance in fulfilling some large-scale programmes of fundamental research requiring big expenses and this had a negative effect on China's fundamental research.<sup>11</sup>

Between 1983 and 1985, the development of science and technology in China was determined by the following strategic line: "In economic development one has to rely on science and technology, which must serve economic development." Addressing the All-China Conference on Science and Technology in March 1985, Premier of the State Council Zhao Ziyang said this line was the right one and that it should be followed by all. China's strategy and long-term plans make this line imperative.<sup>12</sup> Its objectives are to reorganise the R&D system; develop applied research intensively; raise fundamental research to a higher theoretical level; tackle the key problems of economic development on the basis of modern science and high technology; achieve by the year 2000 the 1970s'-1980s' level of the industrialised countries in most branches of science and technology, and the 1990s' level in some individual branches.

The reform of the R&D organisational system in the Chinese Academy of Sciences seeks to:

- integrate science and production;
- extend the rights of research organisations;
- reorganise research activities within the Academy;
- change the system of R&D financing;
- establish the Academy's research funds to finance fundamental and applied research;
- introduce a system of contracts and agreements on the realisation of R&D and on engineering and technical services;
- consolidate and improve the horizontal links of the Academy's research organisations with industrial enterprises and individual industries;
- establish scientific and production associations as well as joint companies and bases to develop and apply new technology and production techniques;
- raise the role of research workers and engineers and of scientific knowledge in economic development;
- stimulate the migration of research personnel to distant and little-known regions of China.<sup>13</sup>

In keeping with the reform of the R&D organisational system and stepped-up scientific and technological progress in 1984-1985, the Academy took active part in establishing scientific and production associations and joint companies to apply the results of R&D and technological breakthroughs in production and to master science-intensive and high-tech products. According to some estimates, over 100 joint companies have been set up in China on the basis of economic contracts (30 per cent in the state sector and 62 per cent in the collective-ownership sector). Of these, one third were established by the Academy jointly with ministries and departments of the State Council or with local authorities. Some

companies export their output. Funds of societies of cooperating shareholders and companies themselves account for two thirds of the latter's fixed assets, the remaining third being loans from the Chinese Academy of Sciences and research organisations. The companies employ nearly 1,000 research workers, engineers and technicians.<sup>14</sup>

In keeping with the Sixth Five-Year Plan, between 1982 and 1985 the Academy participated in the solution of 29 out of 38 major scientific, engineering and technical problems. Eight concerned agricultural development, concentrating mainly on the comprehensive development and melioration of the marshlands of the Three-River region (the Amur, the Sungari and the Ussuri) in Heilongjiang province, and also comprehensive land development and study of the natural resources of the Huanghuaihai plateau (in the basins of the Huanghe, Huaihe and Haihe rivers). Seven problems dealt with the development of the material base for the fuel, energy, chemical and other industries in Shansi province and the use of energy resources in the countryside. Four problems pertained to the development of new types of non-organic, metallic and high-molecular materials, while seven others related to the development of computers, big integrated circuits, superconductors and lasers.

The study and evaluation of natural resources of the Huanghuaihai plateau alone involved more than 280 research workers and technicians (biologists, geologists, chemists, mathematicians and telemetry experts). The data collected were used to build three development models for agricultural zones.

To cope with these 29 major problems, the Chinese Academy of Sciences signed over 400 R&D contracts accounting for 10 per cent of the Academy's total volume of R&D. The undertaking involved nearly 4,600 research workers, engineers and technicians, or 12 per cent of its research personnel.<sup>15</sup>

A number of Chinese scientists were awarded State Prizes for fulfilling R&D programmes of national importance. Between 1979 and 1983, State Prizes for inventions were awarded to 642 people, including 82 scientists from the Chinese Academy of Sciences (of these 21 were rewarded for undertaking R&D jointly with scientists and specialists from other organisations). State Prizes were awarded for achievements in the past decade, priority being given to achievements in selecting high-yield grain crops, developing new industrial technology, certain systems, mechanisms and materials.<sup>16</sup>

In 1982, the results of R&D covering a period of over twenty years won State Prizes for 123 specialists in natural sciences, including 50 Prizes for prominent Chinese scientists. The posthumous awarding of State Prizes to some scientists of the older generation is viewed as homage paid to their past achievements.

The first State Prize in natural sciences was awarded to the head of the atomic and hydrogen bomb project, Director of the Institute of Atomic Energy of China's Academy of Sciences, Prof. Wang Ganchang and his colleagues Ding Dazhao and Wang Zhuxiang "for the discovery of negative antisigma hyperon". Between 1958 and 1961, Wang Ganchang was Deputy Director of the Joint Nuclear Research Institute at Dubna in the USSR. In 1958, he organised a research group at the Institute and discovered, by using pi-meson as a bombarding particle, negative antisigma hyperon. In the early 1960s, Wang Ganchang left the laboratory and went to the desert in North-West China to work at the Nuclear Research Centre of the Jiuqi river valley.

In October 1985, an event of immense importance occurred: 1,772 State Prizes (1,302 not classified and 470 classified) were awarded for recent years' achievements in natural sciences and technology.<sup>17</sup> Out of the 1,302

not classified prizes scientists from the Academy received 56 including 2 highest, 5 first, 22 second and 27 third prizes.<sup>18</sup>

The highest prizes were awarded to scientists at the Lanzhou Institute of Chemical Physics for the development of a new industrial method of making butadiene rubber and their counterparts at the Changchun Institute of Optics and Fine Mechanics for the development of a dynamic optical system for tracking space craft and launch vehicles, and measuring their parameters.

Between 1981 and 1985, the Chinese Academy of Sciences achieved certain results in undertaking R&D on 7,600 research projects. Over 2,000 R&D results were applied in production and other spheres, 60 per cent of them being major scientific breakthroughs. R&D results on 201 research projects won State Prizes and results on 600 other projects won the Academy's prizes.<sup>19</sup>

The application of some R&D results has produced a high economic effect. Specifically, 100 research projects have earned one million yuan on the average. The average economic effect of six other research projects exceeded 10 million yuan, and two others yielded 100 million yuan per project. The application of the new industrial method of making butadiene rubber, which won the highest State Prize in 1984, made it possible to increase the annual output of that raw material to 480,000 tons and to earn 170 million yuan in profit.<sup>20</sup>

In his January 1984 address to the Fifth Session of the Joint Scientific Council of the Chinese AS, the CPC Central Committee, Politburo Member Fang Yi said that the main objectives of the Academy's research organisations for the near future were to develop microelectronics and biotechnology, produce new types of materials and conduct special-purpose fundamental research to ensure the future development of the country's economic and scientific potential.

The Academy's President Lu Jiaxi said at working conferences in January 1986 that between 1986 and 1990 the Academy would undertake R&D on 30 key scientific and technical projects, of which 23 were of national importance. These projects are aimed at solving scientific, engineering and technical problems pertaining to biotechnology, new materials and energy sources, the study and development of natural resources, environmental protection, etc. The tackling of these problems will involve some 30 per cent of the Academy's scientists, engineers and technicians. Priority will be given to those spheres of natural sciences that would ensure the development of new technology and production techniques.<sup>21</sup>

Between 1986 and 1990, the Chinese Academy of Sciences will coordinate research done by scientists in various fields of sciences. In this way, research in mathematics, chemistry and technology will be conducted jointly with ecological studies; research connected with land reclamation, ecology, natural resources and telemetry will be effected jointly with scientists studying the problems of tapping natural resources and preserving the ecological system; studies in astronomy, astrophysics and geology—jointly with the study of the Solar system and the Earth's group; theoretical physics and scientific synthesis of materials—jointly with the study of surface physics and chemistry. It is planned to pay more attention to studies in the field of computer technology and informatics.<sup>22</sup>

The Chinese Academy of Sciences is engaged in extensive scientific and technological cooperation with foreign countries. As of January 1986 it has been maintaining official ties with research centres, companies and scientific societies in 50 countries and territories. It has signed 43 agreements, memoranda and protocols with 19 countries. In the period between 1978 and 1985, the Academy delegated 5,300 research workers to 30 countries either to undertake joint research, work on probation or to advance their skills. Some of them have since returned to China. The Chinese Aca-

demy of Sciences sponsored nearly 40 international symposia in China, including those on high-energy astrophysics and heliophysics.

In 1985 the Academy of Sciences launched a programme of research jointly with foreign scientists and specialists. In early 1985 construction of the Controlled Thermonuclear Fusion Centre, with a total area of 43,000 sq. metres, was completed at Hefei (Anhui province). The Centre includes 15 chambers and 30 research laboratories. Foreign scientists can also work there.

In August 1985, the Academy opened the Institute of Mathematics and the Institute of Theoretical Physics as well as 17 research laboratories in Peking, including laboratories of structural chemistry, vacuum physics and ion beam studies. Joint research will be undertaken here with foreign scientists in the fields of theoretical physics, geochemistry, infrared spectrum physics, laser spectroscopy, atmosphere digital modelling, etc.

In 1985, research on 361 projects was begun at these R&D organisations equipped with the latest technology. The work involves 450 research workers from the Chinese Academy of Sciences and 700 from industries. Thirty two foreign scientists and specialists are participating in research on 24 projects.<sup>23</sup>

The Chinese Academy of Sciences, the main scientific and coordinating centre in natural and technical sciences, has an immense impact on the development of the country's scientific potential and its scientists have earned well-deserved prestige.

I. SARAFANOV

NOTES:

<sup>1</sup> *The Establishment of the People's Republic of China. Documents and Materials*, Moscow, 1950, p. 76 (in Russian).

<sup>2</sup> In 1977, the Chinese Academy of Social Sciences was set up, when social sciences were separated from the Chinese Academy of Sciences.

<sup>3</sup> *The Chinese Academy of Sciences*, General Office, Peking, December 1981, pp. 1-9, 219-226.

<sup>4</sup> *Renmin ribao*, 19 May 1981.

<sup>5</sup> The prominent mathematician. Hua Luogeng, who died on 14 June 1985, was a JSC member.

<sup>6</sup> *Zhongguo jingji nianjian*, 1982, p. V-360; 1983, p. V-160; 1985, pp. V-245-247; *Guanghui chengjiu*, Peking, 1984, Vol. 2, p. 328; *Peking Review*, 1986, Vol. 29, No. 24, p. 27.

<sup>7</sup> *Zhongguo tongji nianjian*, 1983, pp. 525-527; 1984, pp. 497-498; 1985, pp. 594-595.

<sup>8</sup> *Zhongguo jingji nianjian*, 1982, p. V-360.

<sup>9</sup> *Zhongguo jingji nianjian*, 1982, Peking, 1982, pp. V-360-361; 1983, pp. IV-160-162; 1984, pp. V-243-245; 1985, pp. V-246-247; *Guanghui chengjiu*, 1984, Peking, Vol. 2, pp. 318-331; *Peking Review*, 1986, Vol. 29, No. 24, p. 27.

<sup>10</sup> *Peking Review*, 1986, Vol. 29, No. 24, p. 24.

<sup>11</sup> *Renmin ribao*, 28 Dec. 1985; 28 Jan. 1986; *Zhongguo jingji nianjian—1983*, Peking, 1983, p. IV-161; *Peking Review*, 1986, Vol. 29, No. 24, pp. 26-27.

<sup>12</sup> *Renmin ribao*, 21 March 1985.

<sup>13</sup> *Ibid.*, 20 March 1985.

<sup>14</sup> *Zhongguo jingji nianjian—1985*, Peking, 1985, p. V-247.

<sup>15</sup> *Zhongguo jingji nianjian—1984*, Peking, 1984, pp. V-243-244.

<sup>16</sup> *Renmin ribao*, 19 Dec. 1983; *Guangming ribao*, 6 Jan. 1984.

<sup>17</sup> In accordance with the regulation for awarding State Prizes, the highest is awarded for outstanding achievements: the first—for the achievements of the late 1970s—early 1980s world level, the second—for achievements close to the latter level, and the third—for top-level national achievements (*Guangming ribao*, 8 Oct. 1985).

<sup>18</sup> *Guangming ribao*, 8-11 Oct. 1985; 13 Oct. 1985.

<sup>19</sup> *Zhongguo jingji nianjian—1985*, Peking, 1985, p. V-246.

<sup>20</sup> *Peking Review*, 1985, No. 42, p. 8.

<sup>21</sup> *Renmin ribao*, 27 Jan. 1986; *Peking Review*, 1986, No. 24, p. 25. *Zhongguo jingji nianjian—1985*, Peking, 1985, p. V-246.

<sup>22</sup> *Peking Review*, 1986, Nos. 6, 7, pp. 8-9.

<sup>23</sup> *Zhongguo jingji nianjian—1985*, Peking, 1985, p. V-247.

## PRC PRESS ON SOME RESULTS OF CHINESE DEVELOPMENT

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[Article by S.R. Belousov]

It has been repeatedly pointed out by the Soviet news media of late that the USSR "follows with attention and interest the Chinese people's efforts in handling their country's priorities. The Soviet people view with understanding and respect the goal set by the CPC—modernise the country and build a socialist society in the future—and wish the PRC every success in these efforts"<sup>1</sup>.

Indeed, we are now witnessing a complex, multi-faceted, and unambiguous process in the People's Republic of China in which multi-stage structural reforms are being carried out. During the 7th five-year development plan period (1986-1990) emphasis is to be shifted from the rural areas (where the original guidelines of the reform are considered to have been basically implemented as the communes were abolished and the family-contract system was adopted in agriculture) to cities and towns. Above all this means (apart from a wide range of political and cultural transformations) reorganisation of factories and the administrative control system in accordance with the goal of building "socialism with due regard for China's originality".

The Chinese leadership regards this as a lengthy process, with "gradual, and steady but strict" implementation of socio-economic, socio-political, and cultural transformations varying in nature and scale. Speaking at the state reception that marked the 37th anniversary of the establishment of the People's Republic of China, a member of the Politburo Standing Committee of the CPC Central Committee and Premier of the PRC State Council, Zhao Ziyang, said the economic reform and the "free access policy" for the external world would be pursued and that the process of economic revitalisation within the country would be also advanced.<sup>2</sup> It should be noted that formerly the country's "free access policy" tactical schemes gave priority to Western partners, in recent times, however, official statements and the press have been showing a trend towards a positive appraisal of the possibility, desirability, and necessity to broaden cooperation with a number of socialist countries, the USSR being quite high on the list of partners.

In short, it is doubtless that the PRC "is going through a crucial stage of development. Under the leadership of the CPC, constructive work is being done"<sup>3</sup>. On the other hand, the complex processes and radical changes in all spheres of life in the PRC are often *contradictory in nature*, and a greater part of innovations still *remain experimental*. As the reforms go on, *a search is in progress* for the most effective forms of management and the best methods of guiding the socio-economic, ideological, and political processes. This has been confirmed in statements by the PRC leadership, as well as reports in Peking and provincial papers which stress invariably that the nation is now "at the crossroads" (this is often referred to as "a great turning-point" in the nation's history) and is searching for "its own way of development", by pursuing transformations that build "socialism with due regard for China's originality"—a process

in which "no one is guaranteed against mistakes and losses emerging where they are the least expected".<sup>4</sup>

The reforms in the PRC are going on, and it would be unjustified and premature to give them any final evaluation. Nevertheless, certain results are in evidence, indicating the main guidelines, the scale and scope, the typical features, and the prospects of the current transformations. Therefore any material in the Chinese press containing full lists and especially an "official" evaluation of the changes taking place in various spheres of public life are very interesting and highly topical. For example, the weekly *Tuanji bao*, published by the Guomindang CC Revolutionary Committee (one of the eight democratic parties currently existing in the PRC), reprinted in its issues of February 22 and March 1, 1986, a lengthy article previously published by the socio-political journal *Banyouyetan*<sup>5</sup> (which comes out in the PRC's ten major cities) that describes "70 major achievements made by the nation since the 3rd plenary meeting of the CPC Central Committee (11th Convocation) in December 1978. We have selected that material for analysis because it states in a clear, detailed, and well-organised manner the official viewpoint concerning the changes in public life that embody quantitative and qualitative characteristics of various aspects of the current reform. Besides, the material is very valuable in terms of statistics; it presents accurate and specific data that are very interesting for all experts and specialists without exception.

We now present a detailed account of that article.

#### THE SEVENTY ACHIEVEMENTS MADE SINCE THE 3RD PLENARY MEETING OF THE CPC CENTRAL COMMITTEE (11TH CONVOCATION) \*

1. In the period since the elimination of the "group of four" and especially after the 3rd plenary meeting of the CPC Central Committee (11th Convocation), "chaos and wrong trends in the leading ideological doctrine have been eliminated"; in various fields of practical work "a major victory" has been gained, as chaos and errors were removed—this marked "a great turn of historic nature".
2. In ideology, a decisive blow was dealt to the long-standing "dogmatism and worship of one personality" and "the ideological realistic approach was reestablished". Besides, "the true form of Mao Zedong's ideas was restored"; "in the new historical conditions" those ideas were confirmed and "furthered".
3. The chaos that existed in society for a long time has been wiped out and a political situation has been brought about that featured "stability, cohesion, and reanimation". "Socialist democracy and law were gradually brought back to normal", relations of equality and solidarity among China's various nationalities have been strengthened again, and progress has been made in the efforts to broaden further "the united patriotic front". "Today, the country is going through one of the best periods in its history since the establishment of the PRC."
4. The leading party and state bodies at all levels were gradually strengthened and organised into a better system. Completed is the work on reorganisation of the CPC Central Committee, the State Council, and the governing bodies of the provinces, major cities, and autonomous regions. A large group of cadre workers, "whose abilities meet the needs of the four modernisations", were enlisted to work in governing bodies at various levels.
5. At its 5th session in 1982, the 5th National People's Congress adopted a new "Constitution",\*\* the country's fundamental law. This largely promoted "further state legislation construction".
6. The open trial of "the ten main criminals of the counterrevolutionary group" headed by Lin Biao and Jiang Qing, and the expulsion of

Kang Sheng and Xie Fuzhi from the party, put an end to "the counter-revolutionary political forces that had occupied a dominating position for ten years".

7. Rehabilitated are cadre workers and ordinary people who had suffered through the fault of the Lin Biao-Jiang Qing counterrevolutionary group in the course of "the great cultural revolution".

8. "The proper policy line" has been pursued in relation to "the Taiwan compatriots and natives of Taiwan" and also the 400,000 participants in the earlier Guomindang-led rebellions who had surrendered. More than 4,400,000 persons formerly regarded as big landowners or well-to-do farmers were no longer considered as such, and petty tradesmen and handicraftsmen were no longer regarded as capitalists.

9. As regards elections to the National People's Congress the direct-suffrage system has been extended to the district level. That work was completed in 1981.

10. A decisive blow was dealt to "serious economic crimes and criminal offences", and social order has improved appreciably. "The PRC has become one of the low-crime states."

11. The "wrong attitude" towards the intellectuals has been rectified; it has been established that the intellectuals are "part of the most progressive section of the Chinese working class, contributing to the modernisation". Respect for knowledge and talents has gradually become "a new guideline in the public life".

12. The People's Liberation Army "has achieved appreciable successes in revolutionising and modernising its ranks and in building regular units"; considerable results have also been achieved in protecting the country's borders and in ensuring its security. It has been decided that the strength of the People's Liberation Army should be reduced by one million.

13. The construction of a "socialist spiritual civilisation" has been carried out on a large scale; a large number of "cultural facilities" and "villages with a high level of cultural development" have emerged all over the country.

14. Considerable efforts have been made to "improve the organisation of the party"; more than 20 million party members from the district level up have taken part in that campaign, which has now spread to the rural areas. Party principles have been enforced and ideological consciousness enhanced, which has "further improved the party's working style".

15. The "Address to the Taiwan Compatriots" issued by the National People's Congress and other steps intended to solve the Taiwan problem have determined the correct policy in that matter. The "one-state—two-systems" thesis has drawn a considerable response in Taiwan and has been supported by the *huaqiao*. \*\*\*

16. A self-government system has been endorsed for and a "specific policy" is being pursued with regard to the districts and regions inhabited by ethnic minorities; "the economic and cultural development of those areas has been greatly promoted". The cohesion of the PRC nationalities has been strengthened, and relations among them "have entered a new stage of development".

17. All the target figures of "the 6th five-year plan"\*\*\*\* were exceeded. The basic industrial and agricultural targets were reached one year ahead of schedule and in some cases even two years earlier than planned.

18. In recent years the PRC has been handling one of the basic economic issues: the long-existing imbalance between the light and heavy industries.

19. The reform financing the economic system has been basically completed.



20. The overall industrial output earnings totalled 823,800 million yuan in 1985—a more than two-fold increase over the 1978 figure.
21. Capital investment totalled 526 billion yuan during the first four years of “the sixth five-year period”.
22. Energy production continued to grow. At the end of 1985, the PRC was the world’s number-two producer of raw coal, ranking fifth among electricity producers and sixth among oil producers.
23. Cargo transportation has been developing considerably, and railways are being electrified; four “major electrified railway lines” have been put into operation.
24. The electronic industry has made “a big step forward”, mastering the methods of manufacturing “some new-generation electronics”.
25. Steelmaking has “made a fresh advance”.
26. The “free-access policy” has acquired new forms. Four “special economic zones” were established one after another: Shenzhen, Xiamen, Zhuhai, and Shantou; Hainan Island and 14 seaports—Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Denzhou, Fuzhou, Guangzhou, Zhanjiang, and Beihai—were “opened” to the world.
27. By September 1985 the PRC had utilised \$20 billion of foreign capital and put into operation more than 1,800 joint-stock projects; all this made for “a more active economic process”.
28. The PRC has established trade and economic ties with more than 170 countries and regions. From 1978 to 1984, the overall volume of exports and imports increased by 140 per cent.
29. The new “favourable conditions” promoted further development of various methods and forms in the economic sphere; for example, many small state-owned shops now operate along the collective-economy lines, and their number currently exceeds 40,000, which “considerably promoted an economic revitalisation”.
30. In the industries, a planned management reform has been carried out, so that economic plans now have fewer directives and specifications, with more freedom granted to and more responsibility imposed on factory managers.
31. Technological and economic cooperation among industries and industrial areas has been started and is developing.
32. In the first four years of the “sixth five-year plan” housing construction grew considerably in the urban areas; it totalled 400,300,000 m<sup>2</sup> (with an average of 10,075,000 m<sup>2</sup> a year—this annual rate being a 7-fold increase over the corresponding figure of the ten-year-long “great cultural revolution”.
33. Tourism has been developing rapidly, too. From 1981 to October 1984, more than 520 million foreign tourists visited the PRC; hard-currency earnings brought in by tourism between 1978 and 1984 exceeded \$5 billion.
34. Agriculture has shifted to the family-contract system. This is “a great socialist innovation of the Chinese peasantry”. So “the country has embarked upon a new path of promoting socialist agriculture that really has Chinese originality in it”.
35. On the whole, agriculture is developing rapidly. Food production has been on the rise for six years running. “The problem of supplying the population with foodstuffs and clothes has been basically solved.”
36. “Specialised farmsteads” have emerged as “the pioneers of commodity production”. They have been established all over the country and currently total 4,250,000.
37. “Various forms of economic cooperation” have been established in agriculture: there are “family farms”, “collective farms”, “joint farms”, “individual farms”, and so on.

38. As the reform goes on, agriculture "is revitalised more and more with every day".

39. Farmers' incomes went on growing: in 1985 the farmers' per capita incomes totalled 400 yuan—a 13-per cent increase over 1984 and a 209-yuan jump since 1980.

40. Rural economic facilities are now "a major component of the national economy".

41. Economic cooperation between the urban and the rural areas, effected in various forms, is now "a major aspect of the country's economic development".

42. The system of auxiliary works and businesses in agriculture has been transformed and is developing quite successfully; "39 auxiliary works products are now purchased and marketed on a centralised basis".

43. There has been a big leap forward in "the reorganisation and improvement" of the village works structure.

44. Livestock breeding, for a long time the least-developed branch of agriculture, "is rapidly developing, too". In 1985, there were more meat products than at any time in the country's history—62.5 per cent increase over the 1980 figure.

45. Housing construction rates in the rural communities are constantly on the rise. From 1979 to 1984, 3,500 million m<sup>2</sup> of housing was built in rural areas—"more than the overall rural housing built in the previous 30 years".

46. There have been changes in the incomes of the rural and the urban population, "a sphere that remained in stagnation for many years". The average annual pay grew from 762 yuan in 1980 to 1,176 in 1985.

47. "The employment problem has been handled quite successfully" since 1979 and "major achievements" have been made: some 35 million people all over the country were given jobs during the "sixth five-year-plan period" alone.

48. The year 1985 marked "a new step" in the implementation of the system of price reform; improvements were made in the structure of the selling-prices of food existing in the rural areas and in the structure of the purchase prices of cotton; besides, more freedom was established in fixing the prices of auxiliary agricultural products.

49. In recent years, "open exchanges of goods" among state-owned, collective and individual enterprises have been introduced as part of the trade reform; the various forms of trade existing in that sphere made it possible to set up a "trade centre". This "played a promoting role in revitalising the economy, stimulating production, and meeting the needs of the popular masses".

50. The third census was carried out successfully. It was unprecedented in scope and "one of the biggest in the world".

51. In early 1985, the PRC launched its first expedition to the Antarctic; on February 20, 1985, the Great Wall research station, China's first in the Antarctic, was put into operation.

52. The reform in science and engineering has been advanced too, and "with appreciable successes". From 1979, when the technological research and invention system was restored, to late 1985, 1,089 research results and achievements were officially certificated as inventions.

53. In 1983, a research programme involving the Milky Way computer was successfully carried out.

54. In the period between 1978 and 1985, the PRC launched ten artificial satellites. The first communication satellite was launched in 1984. All in all, the PRC has launched 17 satellites varying in size and purpose; the first one was put in orbit back in 1970.

55. "Higher education is developing rapidly"; the country's colleges and universities now total 1,016 with 1.5 million students; during the 6th

five-year-plan period the number of college and university graduates totalled 1,530,000. In the past seven years the government sent more than 20,000 students to foreign colleges, while another 1,000 are being educated at foreign schools on their own account.

56. The achievements in educating the adult population are now "the biggest ever". In 1985, the PRC had a total of 1,216 higher educational establishments, for adults with a total enrolment of 1,725,000 students.

57. There have been "major changes" concerning secondary schools. There were 3,557 specialised secondary schools in 1985, plus 8,070 vocational agricultural secondary schools.

58. The general-education system has achieved "fresh successes"; universal primary education has been introduced in one-third of the districts across the country.

59. Television has been "going through a rapid development"; there are more than 300 television stations currently operating all over the country.

60. The development of literature and the arts is noted for "great diversity of form and content"; more than 800 major literary works have been published in the past seven years, a figure which exceeds by five to one the number of books turned out in the 17 years preceding "the cultural revolution"; besides, some 1,000 medium-size works and more than 10,000 short stories and sketches are published every year. More than 760 feature films have been released in the past seven years, which also exceeds the total of the 17 years just prior to "the cultural revolution". The PRC now has 209 theatres.

61. The development of the country's cultural life is going on "at a rapid pace", which is indicated by the erection of libraries, museums, community centres, etc. The country now has 2,216 major libraries, 612 museums, 3,019 palaces of culture, 24,604 community centres and clubs in urban and rural communities, and 8,934 cultural centres in small towns and villages, "which has made it possible to build a nationwide general cultural education system".

62. Publishing "is developing with every day". In 1979 the PRC published more than 17,000 titles; by 1984 the figure had exceeded 40,700 titles, with the overall number of copies totalling 6,300 million.

63. Public health is being constantly improved. According to the 1982 census, mortality rate among newly-born babies dropped to 0.034 per cent in 1981, while the average lifespan increased to 67.8 years. These figures indicate a general rise in living standards in the PRC in recent times.

64. Population growth has considerably gone down in the PRC and is dropping even lower because that process is regulated by the government, first of all by means of a family planning system. In 1979-1984, the PRC population increased by 0.012 per cent, so the growth rate dropped by 0.057 per cent as compared with the 1970s.

65. PRC athletes "have moved from the Asian arena on to the world arena". At the XXIIIrd Olympics, the PRC team won 15 golds, breaking the sad "no gold" tradition established by the nation's Olympic teams in the previous 52 years. At the IXth Asian Games, the PRC won the overall victory, for the first time, ahead of Japan, finishing with 61 gold medals.

66. Sports sections are rapidly growing in popularity. Mass sports in the PRC have entered a "golden age"; some 300 million people all over the country go in for sports regularly.

67. In accordance with the "one-state—two-systems" plan, the PRC government has held talks with the British government. The two sides reached accord and signed a bilateral agreement on Xianggang. The PRC will reassert sovereignty over the territory as of July 1, 1997. The settle-

ment of that issue "is very important for the Chinese people, as well as for all nations".

68. The country's foreign policy has been put in order. The PRC is steadily and persistently pursuing "an independent foreign policy"; its external links "have developed considerably" and its influence in the world arena "is constantly growing". In the period between early 1979 and late 1985, another 17 states established diplomatic relations with the PRC.

69. The number of visits exchanged has been growing. In 1985 alone, PRC leaders visited more than 30 countries in all regions while top-level delegations of 26 countries visited the PRC.

70. Since the 3rd plenary meeting of the CPC Central Committee the Communist Party of China has been promoting ties with parties in other countries on the basis of the principles of "independence, complete equality, mutual respect, and non-interference". The CPC now maintains various types of contacts with more than 190 political parties and organizations around the world, exchanging delegations at various levels, etc.

S. BELOUSOV

#### NOTES:

<sup>1</sup> *Pravda*, Oct. 1, 1986.

<sup>2</sup> See *Renmin ribao*, Oct. 1, 1986.

<sup>3</sup> *Pravda*, Oct. 1, 1986.

<sup>4</sup> This thesis set forth in the "Selected Works" of Deng Xiaoping and reiterated in the collection of Deng's speeches titled "Build Socialism with Due Regard for China's Originality" is invariably featured in all the latest works on the problem. See, for instance, Wang Shoushan, *Building Socialism with Due Regard for China's Originality*, *Zhongguo xiandai shi*, Peking, No. 11, pp. 151-160; Bai Yi Shilun, *The General Meaning of the Task of "Building Socialism with Due Regard for China's Originality"*, *Jingying shizhuan xuebao*, Shandong, 1984, No. 3, pp. 10-15; Zhang Yi, *The Reform and the Construction of Socialism with Due Regard for China's Originality*, Peking, 1985: *Questions and Answers on the Subject of Scientific Socialism and China's Experience*, Zhengzhou, 1985; *Philosophical Deliberations on the Construction of Socialism with Due Regard for China's Originality*, Guangzhou, 1984; *Political Deliberations on the Construction of Socialism with Due Regard for China's Originality*, B. M., 1986, etc.

<sup>5</sup> The bi-weekly *Banyouyetan* has been published since 1980 by the Xinhua News Agency, under direct supervision of the Propaganda Department of the CPC Central Committee. It comes out in the PRC's ten major cities: Peking, Shanghai, Chongqing, Wuhan, Jining, Changchun, Xian, Fuzhou, Kunming, and Changsha. Today, *Banyouyetan* has the largest circulation of all the socio-political periodicals published in the PRC.

\* *The Seventy Achievements Made Since the 3rd Plenary Meeting of the CPC Central Committee (11th Convocation)*. See paragraphs 1-40 in *Tuanjie bao*, Feb. 22, 1986 and paragraphs 41-70 in *Tuanjie bao*, March 1, 1986.

\*\* The word appears in inverted commas in the Chinese text.

\*\*\* At present by *huaqiao* the Chinese are meant residing constantly abroad and having either the PRC or Taiwanese citizenship.

\*\*\*\* The inverted commas appear in the Chinese text.

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'RENMIN RIBAO' ON RELATIONS BETWEEN CHINA, LATIN AMERICA

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 141-145

[Article by I.O. Olshanskiy]

The 1980s have seen much more affluence in relations between the People's Republic of China and Latin American nations. China has established diplomatic relations with the majority of Latin American states. Interstate and inter-Parliamentary contacts are growing and trade, economic, scientific and technical cooperation is expanding. At various levels China's representatives voice support for the positions and demands of Latin American states on many regional and global issues.

The PRC established diplomatic relations with a few more countries of the region in the first half of the 1980s. By May 1986 China had diplomatic relations with 18 Latin American nations, while the number of them, having official ties with Taiwan, had reduced to 10. Chinese diplomacy is making efforts to redirect these countries towards the PRC.

China, *Renmin ribao* writes, exhibits a visible interest towards broadening contacts with Cuba. The Chinese press has been running positive commentaries on the foreign policy endeavours of the Cuban government (e. g., its support for Argentina during the Falklands crisis, solidarity with Nicaragua's struggle and its condemnation of the US invasion of Grenada) describing them as factors conducive to Cuba's rapprochement with other countries in the region.<sup>1</sup> Foreign ministers of China and Cuba hold meetings during UN General Assembly sessions, and the two countries' volume of bilateral trade continues to grow. They have signed an agreement on payments for 1986-1990. China and Cuba have been taking steps towards further cooperation in agriculture, medicine, education and sports.

China first changed its Nicaraguan policy in favour of the Sandinist leadership and next turned to an active improvement of Sino-Nicaraguan ties. A Nicaragua party and state delegation headed by member of the National Leadership of the SNLF Henry Ruiz and Foreign Minister Miguel d'Escoto visited China in the late 1985. The sides signed a joint declaration on the establishment of diplomatic relations and an agreement on interest-free loans from China. A major development in Sino-Nicaraguan relations was the visit of President Daniel Ortega to China in September 1986. Exchanging views on the international situation (particularly developments in Central America), the Chinese side condemned the US anti-Nicaraguan policy and supported the Nicaraguan people's struggle for national independence and sovereignty. Agreements were signed on economic, scientific and technical cooperation which provided for further Chinese assistance to Nicaragua in the form of deliveries of food, equipment and consumer goods to the tune of \$20 million.

Visits by Chinese leaders to several Latin American countries in 1984 and 1985 were a hallmark of the period under review. First in the series was a mission (August 1-15, 1984) of China's Foreign Minister Wu Xueqian to Mexico, Venezuela, Argentina and Brazil, and his brief stay in Panama.

On his visit Wu Xueqian emphasised the similarity of historical destinies and present interests of China and Latin America and spoke in favour of broader contacts between them as a major factor for consolidating the developing countries' unity and expanding their cooperation. Comments were made on the notorious theory of the "two superpowers" contest responsible, as its authors believed, for tensions and instability in the world in general, and in Latin America in particular. Refraining from direct criticisms of US policy towards Latin America, Wu Xueqian spoke against the "external interference" of the "two superpowers" in regional affairs. China's minister gave a ringing endorsement to the Contadora Group's efforts to normalise the situation in Central America. He also reiterated China's support for Argentina's stance on the issue of the Falklands (Malvinas) and expressed the hope that the dispute would be settled through negotiations. Speaking on the need for a new international economic order, Wu Xueqian expressed his readiness to cooperate with Latin America on this problem and his solidarity with Latin America's stance on the foreign debt issue. The Chinese side paid considerable attention to the development of bilateral relations, including trade and economic, scientific and technical ties between China and Latin America. The Sino-Brazil agreement on cooperation in nuclear-power engineering, signed by Wu Xueqian, was an important step in this direction.

The visit of Premier of the PRC State Council Zhao Ziyang to Colombia, Brazil, Argentina and Venezuela in October-November 1985 was a major development in the history of relations between China and Latin America. Zhao Ziyang's mission, *Renmin ribao* writes, was to give a political ground to the existing combination of versatile ties between China and countries in the region. The Chinese side's emphasis on aspects common to both China and Latin America became a political pivot to the visit. Zhao Ziyang dwelt on the so-called "eight common points", the following being most important: the similarity of historical destinies; a protracted struggle for emancipation and independence; the belonging to the "Third World"; the need to maintain lasting peace; the opposition to foreign interference, the adherence to a sovereign and independent foreign policy; preparedness for the development of South-South cooperation.<sup>2</sup> The Premier of the PRC State Council also noted that China and Latin America were "two major forces" in the struggle for peace throughout the world and that the stronger and more developed they grow, the stronger the "hopes for peace" will be.<sup>3</sup>

Chinese newspapers noted that prominence was given at the negotiations to a wide range of international issues. Premier Zhao Ziyang urged unity among all peaceloving forces so as to avert war and especially emphasised China's "sovereign and independent" policy. To make China's international activities more attractive to its Latin American partners, it was stressed that China would not form an alliance or establish strategic relations with any great power.

Zhao Ziyang expressed solidarity with the stance taken by Latin American states on regional political and economic issues. Visiting Colombia, *Renmin ribao* reports, Zhao Ziyang stated that all regional conflicts and the "dispute" between the United States and Nicaragua must be resolved by peaceful means, without the threat or use of force, in accordance with the basic principles of international law.<sup>4</sup> It was also emphasised that China "opposes interference by the superpowers or other forces".<sup>5</sup>

Touching upon a set of issues related to Latin America's foreign debt, the Chinese Premier described them as both economic and political. He noted that the debt issue should be solved by means of repayment, provided the creditors assist in the economic development of debtors. *Renmin ribao* quotes the Premier as saying that the Chinese side "does not agree with the idea that developing countries must pay off their debts by slow-

ing down their economic growth and cutting the living standards of their peoples".<sup>6</sup>

On his visit Zhao Ziyang paid considerable attention to tapping new opportunities for expanding and diversifying trade, economic, scientific and technical cooperation between China and Latin America. China's newspapers report that the Sino-Latin American trade accounts for approximately three per cent of China's total foreign trade. Moreover, a member of the PRC State Council Chen Muhua, who accompanied Zhao Ziyang on the visit, said in relation to this that the Chinese side was not satisfied with that "relatively low level".<sup>7</sup> China offers its Latin American partners new forms of cooperation such as joint ventures, barter trade, as well as investments in the construction and development of China's economic projects. To the above "eight common points" Zhao Ziyang added "six favourable terms" for the development of trade, economic, and technical cooperation between China and Latin America. According to *Renmin ribao*, emphasis was made on the fact that economically China and Latin America can be mutually complementary, that they have similar levels of economic development and try to find their own ways of progress suitable to the specific national conditions of each partner. China, says the country's press, is willing to build trade and economic relations with developing countries on the principles of equality, mutual benefit and progress.<sup>8</sup>

Signed during the visit of China's Premier to Latin America were 15 documents regulating various aspects of cooperation between China and Latin America, which was the visit's practical result. In Colombia the sides signed agreements on economic cooperation, on mutual target-oriented credits, etc.; in Brazil—an inter-governmental agreement on cooperation in culture and education, a memorandum on regular consultations between foreign ministers of the two countries (the first round of political consultations was held in Brasilia on 1-2 July, 1986); in Argentina the sides endorsed a supplementary protocol to the 1980 agreement on economic cooperation, providing for broader ties in agriculture and non-ferrous metallurgy. Also signed were other documents specifying the content and volume of China's cooperation with a number of states in the region in the 1980s.

China's press reported that Zhao Ziyang's visit to Latin America had been successful and had attained the desired goals. *Renmin ribao* noted that the visit had laid down a "good foundation" for the development of political and economic relations between China and the states in the region.<sup>9</sup> Leaders of Latin American countries, in turn, gave a high estimate of the results of negotiations with the Chinese dignitary.

In recent years China has been visited by top officials from Antigua and Barbuda, Argentina, Brazil, Trinidad and Tobago, Venezuela, Guyana, Mexico, Peru, Ecuador, Jamaica and other states in the region. So far, China and Latin American states have signed about 60 accords, including inter-governmental trade agreements; agreements on loans and credits on economic and technical cooperation; protocols on ties in the sphere of culture, education, broadcasting and information, etc. China, for instance, has established such relations with Argentina, Bolivia, Brazil, Barbados, Guyana, Venezuela, Colombia, Cuba, Mexico, Peru, Ecuador, and Jamaica.

The Chinese press notes an essential progress in trade between the PRC and Latin America in the 1980s. Trade between China and the region made up \$41 million in 1971, then reached \$1.5 billion in 1981 and \$2.5 billion in 1985. China imports Latin American copper, saltpetre, timber, textiles, sugar, cotton, rolled steel, aluminium, cellulose, as well as certain types of machine and equipment. China's basic exports

to Latin America are oil, rice, food and consumer industry products, handicraft wares.<sup>10</sup>

In recent years, China's newspapers write, remarkable trend towards the growth in the share of high-tech products, such as sophisticated equipment, machine tools, instruments, and information science facilities has been registered in the pattern of commodity turnover. It is significant that China's main trade partners are the most industrialised nations in the region such as Argentina, Brazil and Mexico, whose share in China's total trade with Latin America ranges from 40 to 60 per cent. To promote trade with Latin America and remove obstacles on its way, a specialised export-import company for ties with Latin American countries was set up in China in the autumn of 1985.<sup>11</sup>

The Chinese press reports that technical and economic cooperation between the PRC and Latin America is steadily growing. It is coordinated by bilateral committees and commissions for economic, scientific and technical cooperation. Technical and economic cooperation has two basic avenues: a) realisation of programmes to foster economic progress of the least developed nations in the region; b) mutually beneficial cooperation with the advanced Latin American states that would not only get economic dividends but also give access to high technology and advanced forms of organisation of labour and management.

In the first case China provides loans and credits. It also sends specialists to assist in the construction of small industrial enterprises (brickworks, textile and tile factories, small electric-power stations), medium-size consumer-and-food industries and agricultural projects (vegetable and rice-growing farms, irrigation works) stipulated by the agreements on economic cooperation. China established and still continues this form of cooperation with Barbados, Guyana, Peru and Jamaica.

Scientific and technical cooperation between China and the more industrialised nations in the region is also, as a rule, regulated by specific accords providing for exchanges of delegations of specialists, as well as technology, the training of specialists, and cooperation in R&D. On this basis China cooperates in particular with Argentina, Brazil, Venezuela, Mexico and Peru (in information science and telemetry, oil extraction and processing, hydro-power and atomic-power engineering, chemical and paper industries, construction, etc.).

Apart from Pakistan, Argentina and Brazil are the only developing countries with which China has agreements on cooperation in the use of nuclear energy. These agreements provide for cooperation in designing, construction and running of atomic electric-power stations (AEPS), in the production of nuclear fuels and isotopes, the improvement of AEPS' safety systems, and the dumping of radioactive waste. China and some Latin American countries jointly pursue research in the Antarctic.

In addition to the traditional forms of technical and economic cooperation such as joint research and exchanges of expertise and technology, joint ventures as a new form of cooperation are introduced on an ever broader scale. An example is the Sino-Brazil Timber Industrial Co. Ltd., set up in 1984. China owns 95 per cent of its estimated \$3 million joint-stock capital. The PRC also has similar joint-venture agreements with Argentina, Bolivia, and Colombia.

Inter-Parliamentary, Party, cultural and other forms of contacts between China and Latin American countries have become more active. A memorable event in the series was a visit by the National People's Congress (NPC) delegation headed by Liao Hansheng, Deputy Chairman of the NPC Standing Committee, to Brazil, Peru and Ecuador in March 1984. China, in turn, received parliamentarians of various ranks from Argentina, Brazil, Venezuela, Colombia, Costa Rica, Mexico, Peru, Uruguay and Ecuador.



Cultural ties between China and Latin America are also brisk. Cooperation in this sphere is based on specific accords and protocols. China has signed such documents with Argentina, Bolivia, Brazil and some other countries in the region. Basic forms of cultural cooperation are exchanges of delegations of people in the arts as well as, organisation of exhibitions of applied art, books, traditional painting and cinematographic weeks. Besides, China and Latin America actively cooperate in sports and education.

I. OLSHANSKY

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NOTES:

- <sup>1</sup> *Renmin ribao*, Oct. 31, 1985.
- <sup>2</sup> *Ibid.*, Oct. 30, 1985.
- <sup>3</sup> *Ibid.*, Nov. 8, 1985.
- <sup>4</sup> *Ibid.*, Oct. 30, 1985.
- <sup>5</sup> *Ibid.*, Nov. 14, 1985.
- <sup>6</sup> *Ibid.*, Nov. 1, 1985.
- <sup>7</sup> *China Daily*, Oct. 28, 1985.
- <sup>8</sup> *Renmin ribao*, Nov. 3, 1985.
- <sup>9</sup> *Ibid.*, Nov. 16, 1985.
- <sup>10</sup> *Guoji wenti yanjiu*, 1984-1986.
- <sup>11</sup> *Renmin ribao*, Nov. 8, 1985.

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## CHINESE PRESS ON ENVIRONMENTAL PROTECTION

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 146-149

[Article by B.N. Basov]

With the rates of industrial advance growing considerably in China over last few years, the country's leaders are faced with an increasingly challenging task of working out a long-term ecological policy. Environmental protection is still a problem, *Renmin ribao* (Oct. 23, 1986) writes, though some progress in this sphere was recorded in the 6th five-year development period. For some time now, ecological experts have been debating in the central press whether economic interests are compatible with nature and whether industrial and agricultural reproduction can be harmonised with natural powers of regeneration. The debate is far from being closed and it is evidently for this reason that *Renmin ribao* carries many ecological materials in its Discussion Tribune column. There are several articles on this theme in its July 13, 1986 issue, one of which states that now "it is necessary to pool together the available experience and produce an ecological policy which would measure up to the country's ethnic peculiarities and state interests".

Most press materials dealing with ecology point to the worsening environment pollution problems all over the world. For example, prominent ecological expert Yang Mao writes (*Renmin ribao*, July 3, 1986) that "ecology is growing into number one problem in all countries of the world and calls for a more profound study in the ecological sphere. Today there are nearly 20 hectares of forests destroyed and 10 hectares of fertile land turned into a waste every minute worldwide. If this process is not checked, one-third of the presently available arable lands will be unfit for use by the end of this century and all forests will disappear 170 years later." This prediction is perhaps too gloomy. "But", Yang Mao says, "already now the damage caused by the advance of deserts (on the global scale) adds up to \$26 billion a year. Water pollution and mounting fresh water consumption have caused serious water shortages in 40 countries, whereas economists have estimated that the use of water will grow three-fold by the year 2000."

Today, hardly anyone will question the seriousness of ecological issues, Yang Mao says, but actual efforts to cope with them are highly inadequate. For example, in 1977 the UN held a conference to discuss methods of coping with the advance of deserts. Representatives of 94 participating countries put forward a number of important practical proposals, but until now none of these has been implemented, because governments in many countries are unwilling to spend heavily on ecology. Calculations show that to stop the advance of deserts, mankind must invest \$90 billion before the end of the century, or \$6 billion a year. This is less than a quarter of the annual damage caused by desertification. At the same time, Yang Mao says, military spending worldwide is worth over \$800 billion a year.

In analysing the ecological processes in their country, Chinese experts are concerned primarily with the growing rift between the needs of economic progress and chances of keeping the ecological balance. Yang Mao, for one, writes in the above-quoted *Renmin ribao* article that "in recent years China has paid serious attention to environmental protection

and taken a number of important steps in this sphere. But, since relevant work began comparatively late, the obtaining ecological situation is rather alarming." The same paper reports that 60 per cent of age-old mountain forests around the source of the Mianjiang in the upper reaches of the Yangtze have been felled. The forest areas have shrunk even to a greater extent in North-Eastern China. Hubei province is famed all over China and far beyond for its lakes, but their number has diminished from over one thousand to three hundred. The Dongtinghu Lake has dwindled to half its former size. Today 154 Chinese cities are experiencing acute water shortages, according to the newspaper.

Analysing the causes behind the worsening ecological situation, Yang Mao says that many managers "are, so far, only marginally aware of the importance of preserving the ecological balance". They cannot understand that "an effect achieved at the cost of upsetting the ecological balance is short-lived... If we go on interfering with the ecological balance, it will inevitably affect the progress of 'four modernisations'." "Many cadres," he goes on, "cannot understand that at some moment in the future, nature will no longer be capable of self-regulation" and "we'll have to pay an exorbitant price to restore the natural environment." It must be understood that "as we forge ahead with economic development, we ought to pay a most serious attention to environmental protection and that economic advance and environmental protection are aimed at one and the same thing, that is, benefitting the people".

Yang Mao is echoed by prominent ecological expert Ma Shijun. Speaking in an interview with *Renmin ribao* (Nov. 5, 1986), he said that after the 3rd Plenary Meeting of the CPC Central Committee of the 11th Convocation (December 1979) "managers became more attentive to economic laws", but "are still under a strong influence of the habit of using the old methods and think only in terms of the amount and cost of output, that is, the immediate advantages, without taking into account the long-term effects of their economic activities".

Like Yang Mao, Ma Shijun points to the danger of upsetting the ecological balance and warns that "unless we take timely measures, we are in for an inevitable retreat in the economic spheres". Already now, the interview says, deserts and barren lands make up 11.4 per cent of the country's territory. Over 700 million mu (1 mu equals 0.066 hectare) of pastures and meadows have disappeared. Every year timber is cut on an area of over 37 million mu, that is, much more than is planted. Soil erosion is observed on a territory measuring 1.5 million square kilometres; over 100 million mu of irrigated lands have lost their fertility through salination. This alarming situation has developed due to a number of reasons, the main one being that people do not take into account the long-term effects of wasteful use of natural resources, the *Renmin ribao* interview says.

As we can see, both Yang Mao and Ma Shijun are concerned with the lack of consideration for ecological problems and point to the need to put them at the base of economic planning. Qu Geping, author of another article published in *Renmin ribao's* Discussion Tribune column (July 13, 1986), keeps to a somewhat different approach. He puts emphasis on the fact that "China is a developing country with a comparatively backward economy and a comparatively low per capita gross national product"; therefore, "it cannot aspire for overly high goals in the ecological spheres, because these ought to be commensurate with the country's economic potential". Otherwise, he believes, any goal will be difficult to achieve. According to the author, in working out an ecological policy China should proceed from the need to cope with the factors the consequences of which harm the environment, and yet keep in mind that too high ecological stan-

dards might hold economic growth. Hence, while noting the importance of ecological issues, he places them after economic requirements.

Analysing the ways of coping with ecological problems, he emphasises the importance of research and development in the sphere of checking industrial and urban pollution of the environment. At the present stage, he recommends working out non-waste technology for coal, comprising production, concentration, delivery, storage and use. The reason for this is that coal remains and, by all evidence, will continue to be China's main fuel in the years to come.

Most Chinese papers view nuclear power as a most promising and ecologically pure alternative to coal. For example, Xue Dazhi of the Nuclear Power Research Institute (Qinghua University) says in his article "Nuclear Power Stations and the Environment" (*Renmin ribao*, Sept. 4, 1986) that "despite the Chernobyl accident which caused much public concern, the nuclear power industry will go on developing because nuclear power is an ecologically pure and economic energy source. With every passing day, an industrialised society requires ever growing amounts of energy, something that worsens pollution of the biosphere, he says. Chiefly to blame in this sense are the coal-burning power stations. For example, a 2-million-kW heat power station needs close to 2,300,000 tons of coal a year, of which approximately 20 per cent are converted into ashes and aerosols. The heaps of unusable slags claim increasingly wider areas. They damage farmland, clog rivers and pollute water. Smoke discharged by power stations contains large amounts of sulphur oxide and nitrous oxide, which cause the so-called acid rains harmful for plantlife.

Disposing of power station wastes has become a worldwide problem, Xue Dazhi continues. Scientists warn that the "acid rains" and the "greenhouse effect", the consequence of too much nitrous dioxide in the atmosphere, are swelling into a serious ecological problem. According to the author, economic factors must of necessity be taken into account, along with technical difficulties. A number of countries are not always in a position to take protective measures at the desired level. Evidently, he means China, too. He says that a radical solution to the problem lies in promoting the nuclear power industry because nuclear power stations are ecologically pure and, if properly operated, safe.

Many Chinese experts point to urgent comprehensive solution of wastewater purification problem as one of the more important issues involved in the preservation of the ecological balance. As industry advances, particularly at villages and settlements in farming areas, Ma Shijun says, the amount of industrial wastewater keeps growing. Nearly 70 million tons of polluted water is discharged into China's rivers and lakes every day. In many areas wastewater pollutes irrigated fields. Vast quantities of chemical fertilizers are washed into bodies of water through farmers' negligence. Water and soil, he says, are the chief conditions of human existence and economic advance. However, most of the water in Southern China's irrigated farming areas is polluted by toxic wastes. In many other areas (for example, in Northern China) there is a shortage of water for household needs and frequently any available water presents a health risk. Chinese ecologists believe the problem could be largely solved with the introduction in industry of closed-cycle water consumption.

Another ecological priority, they hold, is comprehensive use of solid industrial and household wastes, notably, devising methods enabling them to be used as raw materials. *Renmin ribao* (Oct. 23, 1986) gives the following figures: over 52 million tons of garbage accumulate in Chinese cities every year. The urban population is constantly growing. As a result of this growth and improvements in living standards, the amount of

garbage goes up by 10 per cent a year, not counting the over 100 million tons of industrial wastes taken from factories every year. The newspaper says that China's system of burying toxic and harmful wastes and processing household wastes is far inferior to that existing in the West. *Ren-min ribao* reproaches officials in charge of the matter for not paying attention to this urgent problem.

According to the PRC press, Chinese scientists are working hard to find solutions to ecological problems. It may be inferred from newspaper reports that China is spending considerable funds on environmental protection. Experts believe that what is needed is a boost in ecological control locally. In recent years, Qu Geping says, municipal and industrial pollution control has produced some positive results. In more than 100 cities, local administrative authorities are pursuing comprehensive environmental protection programmes. According to Qu Geping and other experts and as is evidenced by practice a tougher ecological control yields some results even when it is impossible to find sizeable funds for ecological problems within a short period. Chinese newspapers insist on the need to pass the relevant legislation and form competent independent bodies possessing controlling powers that could responsibly tackle the tasks facing them.

Ecologist Yang Mao points to the importance of mass ecological education. Ecological problems can be solved only by the combined efforts of scientists, practical workers and all the people.

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## ECONOMIC TRANSFORMATIONS IN CHINESE CITIES DISCUSSED

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[Article by A. Ostrovskiy, candidate of economic sciences]

Much importance was given to the reform in the sphere of money circulation. An attempt was made, first of all, to intensify the activity of banks which used to serve mainly only as distributors of state credits. In the course of the reform banks were to become gradually an important economic lever ensuring control over the activity of enterprises because they got more rights in providing enterprises with credits and loans. To help the banks improve their contacts with as many enterprises as possible warranty organisations were set up in the city's districts acting as subsidiaries of banks and providing credits to various small collective and individual enterprises. There has also appeared the new form of several enterprises jointly using financial means to renew their assets. In Changzhou the capital of 18 major enterprises was concentrated in a bank and was used jointly by them. This gave them more leeway in using their financial resources and helped to intensify their performance.

Considerable changes in the system of hiring labour have also taken place at Changzhou enterprises in the course of the reform. A system of hiring labour on the basis of exams began to be practiced at the city's enterprises starting with 1979. Any applicant for a job includes his name in the list of candidates, sits for exams and after that the enterprise hires the best of the applicants. Labour on the basis of contracts was first introduced in 1981, and in 1983 all enterprises in the city were using it. But there still exists the system of permanent workers who were sent to enterprises on the basis of job placement by the state—from the Army and secondary specialised educational establishments.

The system of rotating labour was introduced as an experiment in 1984 in jobs that do not require special skills: in mines, in earth-moving work and in cargo handling. Not only city people but also villagers could apply for such jobs for a period of five years if they were younger than 25. They were paid by the piece rate and as a result their wages often were higher than those of permanent workers. But during the entire duration of the contract they could avail themselves of social insurance benefits only once. If a worker made a good showing of himself, the contract could be renewed.

In the course of the reform of the hire system in Changzhou the free migration of labour between enterprises and towns of the county was permitted. Thus, within the framework of Changzhou a worker can freely move from one enterprise to another without seeking permission of the city labour and personnel board. A worker can move from one town to another within the limits of Changzhou district only with a permission from the city labour and personnel board. Enterprise got the right to announce job-filling contests themselves and to state their terms, but the latter have to be endorsed by the labour and personnel board. So the new rules of hire have substantially weakened the rigid centralisation in the sphere of distributing labour among branches of the economy. In Changzhou the problem of employment has been largely solved by attracting

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\* Continued from *Far Eastern Affairs*, No. 2, 1987.

labour to enterprises of the individual and collective sector and by redistributing labour between the districts and branches of the economy.

In the course of the reform in Changzhou attention was given to the system of the labour insurance of wage and salary earners. Prior to the reform, the rates of payment of social insurance allowances were excessively high during the first six months and very low in the concluding months. Two systems of social insurance were used at once for "old" permanent workers and the "new" contract workers. To ensure the labour insurance of the "old" workers the enterprise must annually remit 18 per cent of its total wages fund to the labour insurance company and 2 yuan per each worker a month for the labour insurance of "new" workers. At Changzhou enterprises the labour insurance fund is formed from three sources: the national social insurance fund amounting to 11 per cent of the total wages fund of the enterprise, the pension fund and a part of the profit made on marketing output. The profit of the enterprise remaining after the payment of taxes is the only source of the labour insurance fund at collective enterprises.

It is interesting to study in detail the implementation of the economic reform in the state sector on the example of the Dunfen printed calico mill. It was founded in 1923. Prior to 1954 it was a mixed (state-private) enterprise, while in 1966 it was transformed into a state enterprise. It employs 2,366 wage and salary earners and manufactures 400,000 metres of fabric a day. In 1984 the mill produced 95.5 million metres of fabrics to the sum of 175 million yuan. During that year it paid taxes to the state budget to the sum of 8 million yuan. Its main output are cotton fabrics, artificial fibre fabrics and fustian. A quarter of the plant's output is exported to Australia, New Zealand, countries of Europe and Latin America and also to the USSR.

The system of the director's responsibility for the performance of the enterprise was introduced in 1984. The director assigns managerial personnel to their posts and is responsible for the adoption of decisions and the distribution of wages. When the work of the enterprise is planned 40 per cent of the indicators are obligatory and set by higher authorities—gross output, assortment, quality, volume of profit, growth of labour productivity, production costs and outlays. Labour productivity at the Dunfen mill is quite high just as at all enterprises of the textile industry in the state sector. In 1984 it amounted to 80,000 yuan per person, the average figure for the industry being 18,487 yuan per person.<sup>8</sup>

Definite changes have taken place at the enterprise in the system of hiring labour. The contract system has been in effect only since 1985. The duration of a contract is 3-6 years. The wage and social insurance rates were equal for full-time and contract workers. Since 1985 all job applicants have been taking exams. In 1985 it was planned to employ 110 new workers—all under the contract system. Three systems of raising skill ratings are now being used. As in the past there exists a single state system of tariff rates for various branches. But in the course of the economic reform the director got the right to raise the ratings of 3 per cent of the workers every year. As for contract workers, their ratings are automatically raised by one grade after the contract period expires.

Enterprises retain to this day a tariff system of eight ratings plus an extra for the specific job done (15 categories in all). "Floating wages" (depending on the performance of the enterprise) are paid to only 10 per cent of the workers and office employees. On the whole, in 1984 the average figure for one employee was 1,004 yuan as compared to 800 yuan in 1977. Bonuses (50 yuan every three months) were paid regularly; as were extras (5-7 yuan a month).

Considering the conditions in China this enterprise has attained a rather high level of social insurance. It has its own hospital, a kinder-

garten, a nursery which the plant's employees use free of charge. Since this is an old enterprise many workers (a total of 450) have retired on pension. In 1985 it was planned to retire 43 more employees. Pensions, amounting to 75 per cent of monthly wages, are paid entirely by the enterprise. In the sphere of social insurance pensioners are entitled to the same benefits as plant personnel.

An assembly of representatives of industrial and office workers functions at the enterprise. The trade union, like those at many other enterprises in the PRC, is the working body of the assembly of representatives of industrial and office workers. Among other things it is in charge of political and general education as well as socialist emulation.

The assembly of representatives of industrial and office workers is not subordinated to the party committee of the enterprise and higher trade union organisations. It solves mostly the production questions of the enterprise and is convened twice a year. The assembly of representatives of industrial and office workers has about one hundred members. At each session the director of the plant delivers a report on the results of the plant's performance during the previous six months to be approved by the assembly. All the main decisions concerning the production activity of the enterprise are adopted through the assembly which also evaluates the work of ganbu (cadres) at enterprises, discusses questions of wages, bonuses and social insurance. But just as at the overwhelming majority of enterprises of the state sector, the director is appointed by higher bodies and not elected by the collective.

The implementation of the economic reform in the collective sector has its peculiarities. The author was told about them in detail by representatives of the management at the Changzhou bicycle plant. This plant is a major collective enterprise with a labour force of 4,020. It went into operation in 1976 and has steadily increased its output. In 1976 it produced 8,000 bicycles, in 1984—780,000, while the figure planned for 1985 was 1,100,000 bicycles. State production plans were regularly overfulfilled in recent years.

The main difference between this enterprise and a state one is that it has state as well as collective assets. The enterprise has three permanent sources of capital investments—centralised, local and its own. State assets constitute centralised capital investments while the collective ones are made up of the plant's profit. This is how profits are distributed: 55 per cent is paid to the state in the form of income tax. Of the remainder 5 per cent is deducted to the higher body while 40 per cent stays with the enterprise itself. The latter is distributed, in turn, as follows: 60 per cent goes to the production development fund, 20 per cent is channelled to the social insurance fund and 20 per cent—to the bonus fund.

Most of the employees of this plant—91 per cent—are considered to be employed in the collective sector. The remaining 9 per cent are ganbu who are appointed by state bodies and are considered to be employed in the state sector. The question of an employee belonging to a particular sector arises only in the event of his going over to another enterprise. The fact is that a worker from the collective sector cannot get a job at a state enterprise.

Personal cash contributions by industrial and office workers to the non-industrial sphere are rationally used by the plant's service bureau, canteen, stores, hostels, etc. Each share costs 50 yuan and the total assets in the non-industrial sphere of the enterprise amounted to about 100,000 yuan. Holders of shares are paid dividends at the end of the year, depending on the performance of these organisations. In the future the plant plans to expand such activities and use contributions by personnel to open barbering and tailoring shops.



There are three categories of workers at the enterprise: 1) full-time workers whose job-placement is the business of the labour and personnel board; 2) contract workers who are employed by the plant itself from among townspeople and residents of adjoining counties; 3) part-time workers hired from nearby villages to perform unskilled work (mostly the handling of load). Part-time workers are hired usually for a period of not more than one year. There were few contract workers in 1985—less than 3 per cent of the entire labour force. A three-year contract was concluded with them so as on expiry they could become full-time workers. In 1985 the plant switched fully to the hiring of labour on contract basis. All job applicants must pass exams. Demands are quite exacting—a full secondary education is obligatory.

In 1985, however, a majority of workers and employees at the enterprise were graduates of the secondary school's first grade. This prompted the need for raising the workers' level of training as more advanced technology was introduced at the enterprise. Currently the enterprise employs such methods of raising the education level as studying by correspondence, televised education and on-the-job training. A vocational technical school was set up at a bicycle plant which was to train 50 workers in 1985. Many workers are still trained through apprenticeship which lasts from 2 to 3 years. For those who came to the plant after finishing a complete secondary school the apprenticeship term is reduced.

Prior to the economic reform in the city the plant used the same system of wages that prevailed throughout the PRC—an eight-rate wage scale with work paid by the hour plus bonuses and some extras. In the course of the reform the enterprise got the right to raise rates without seeking the approval of higher bodies. Thus, 50 per cent of the workers had their wage rates raised in 1984. "Floating" wages were introduced acting as part of the plant's profits. In 1985 the share of "floating" wages amounted to 11 per cent of the total wage fund. Full-time and contract workers were paid by the hour, "floating" wages and bonuses (from 220 to 320 yuan a year per person). Payment by the piece was the system applied to part-time workers. Wage and social insurance rates for permanent and contract workers are the same.

Full-time and contract workers are entitled to all the social insurance benefits. Thus, an employee with a service record of more than 15 years is paid a sickness allowance amounting to 80 per cent of his wage. The pension system is the same as at state enterprises. The plant had 26 pensioners in 1984. Pensions vary from 55 to 70 per cent of the last wage rate prior to retirement. The trade union and the assembly of representatives of industrial and office workers enjoy the same powers as at the Dunfen state plant.

The garments factory, another enterprise in the collective sector, is also of interest. The Changzhou garments factory is a merger of several small cooperatives and employs many women and young people. Part of its products—shirts, pyjamas and night gowns—are exported to other countries, in particular to the United States. Gross output is valued at 27 million yuan and annual profit amounts to 1.7 million yuan. A total of 300,000 sets of clothing are manufactured every year. The factory uses machines purchased from Hong Kong on a return-payment basis.

Like many other collective enterprises it is liable for its profits and losses. The state does not invest in the production assets of this enterprise. The factory annually pays 55 per cent of its profits as production tax. Only one plan indicator is imposed on it by the Jiangsu provincial board of foreign trade—volume of marketing export products in transferable yuan (*waihueibi*).<sup>9</sup> All other production indicators are planned by the factory itself.

Practically no changes have occurred in the system of hire. Whereas

at most enterprises where the economic reform is being implemented job applicants must pass exams, this system is not applicable to the garments factory. Instead of exams, every new employee undergoes a six-month probation period. There is no system of contracts. It was only in 1984, when two people were employed by the factory on the basis of contracts, that preparations were made to introduce this system. Apprenticeship is the dominant system at the factory: one year for graduates with full secondary education and two years for those with the 1st stage secondary schooling. Also functioning at the factory are groups which help raise educational level of employees and a vocational school which was attended by 20-30 people in 1985.

In the course of the reform the factory got a chance to decide on its own about the ratings of its industrial and office workers. The tariff rate is raised after the worker in question sits for an exam and his work is assessed. In addition to this the management of the enterprise has the right to annually raise the rates of three per cent of the labour force. The factory employs a tariff system of wages consisting of eight ratings, with the first receiving 32 yuan a month and the eighth—97.5 (basic wage). If a worker overfulfils the plan his output is assessed on a piece-rate basis in close linkage with the plant's profit.

The enterprise spends 18 per cent of the wage fund on social insurance. The main source is the profit of the enterprise that is used to pay temporary disability allowances and pensions. On retiring men above 60 and women more than 50 years old receive pensions amounting to 75 per cent of their wages if their length of service is at least 20 years. The lowest pension at the enterprise is 30 yuan a month.

Functioning simultaneously at the factory are a trade union and an assembly of representatives of industrial and office workers. The trade union, like those at many enterprises in the PRC, is a working body of the assembly of representatives of industrial and office workers and arranges the sessions of the assembly held twice a year. All the main decisions concerning the production activities of the factory must be passed by the management through the assembly of representatives of industrial and office workers. At the garments factory, for instance, ten per cent of the industrial and office workers are members of the assembly. The length of service of at least three years at this enterprise is required to participate in the assembly.

There are some distinctions in the implementation of the economic reform at another enterprise of the collective sector—the sack cloth factory in Yonghong county. Prior to 1978 this factory produced articles from bristles. Its fixed production assets amounted to 48,600 yuan and it employed 80 people. Transformations began in 1978, when the factory bought 100 looms and 300 machines for winding artificial threads and began to produce sack cloth from artificial and synthetic fibres. Output in 1983 was valued at 15.22 million yuan, profit amounted to 2,315 million yuan, and the size of personnel increased to 1,523.

The state sets a certain profit margin every five years for this enterprise. An income tax of 55 per cent is levied on profits. If profit is made over and above plan the tax levied on surplus is cut by half. The level of profit in 1979-1984 for this plant was set at 920,000 yuan. All excess profit is used by the enterprise for its own needs.

In contrast with bigger enterprises, in 1980 this factory started introducing a new form of wages based on transition to payment in accordance with the end result. The wages of a worker are determined by five criteria: 1) volume of output; 2) quality; 3) production cost; 4) time spent on output; 5) new types of products. In 1981 this enterprise was one of the first to introduce an intra-plant cost accounting under which individual shops sign contracts with the management of the enterprise. Then on

the basis of these contracts a system of payment of bonuses determined by the five criteria was introduced by the management for each worker. It must be noted that this system of material incentives has had a visible impact on the growth of labour productivity at the enterprise.

Most of the employees are contract workers. Full-time workers account for only one per cent of the labour force. As a rule, those employees who do not fulfil their production assignments are transferred into part-time workers. They can receive only their wages, unlike contract workers who are also paid bonuses and the "floating" wage. The enterprise also has such a category as unplanned workers who are invited from outside to perform specific jobs and are not considered as part of the regular staff. The social security system applies equally to contract and part-time workers, but leaves out unplanned workers.

Many of the plant's employees are villagers. Another part is formed by workers with residence permit in a suburb or Yonghong county—young peasants. The plant does not use the "worker/peasant" employment system that existed at all enterprises of county level in the past [still earlier—people's communes—A. O.]. The explanation is that most peasants have switched from plant breeding with a seasonal cycle to vegetable growing on a year-round basis and their incomes from vegetable growing are higher than from work at enterprises.

An important distinction of this enterprise from a state enterprise is that tariff rates are dependent on the plant's annual performance and not on state tariff rates. In 1984, the sack cloth factory introduced a 7-rate tariff system with the 1st rate being paid 30.5-32.5 yuan a month and the 7th rate—79.2-80 yuan a month. The average monthly wage was 41 yuan. Just as at state enterprises, 3-4 per cent of the labour force can count every year on having their rate raised. At this enterprise a worker has his rating raised once every 4-5 years. In addition to the basic wage a worker is also paid a "floating" wage which is part of the plant's profit and a bonus which actually comes from the profit made in excess of plan. These payments from the plant's profit amount to 8-13 yuan a month per worker.

The remainder of the profit after income tax is the sole source of social benefits at the enterprise. The enterprise plans to spend annually 60 yuan per worker on disability allowances. The enterprise foots the bill in the event of a production injury or occupational disease. In the event of injury sustained outside of the enterprise or a disease the plant pays 0.4 yuan per person a day. The enterprise also pays pensions amounting to 50-60 per cent of former wages, the minimum being 26 yuan a month.

There is no trade union at the enterprise but there is an assembly of representatives of industrial and office workers which discusses production matters and can elect the director of the enterprise. Part-time workers and "unplanned" workers cannot be members of the assembly of representatives.

The hotel in Changzhou belongs to the individual sector. The economic reform has had a beneficial influence on its activity. Construction of the hotel started in 1979 and ended in '84; it cost 30,000 yuan which also was spent on the purchase of furniture, kitchen utensils, bed linen, etc. Of this sum only 20,000 yuan was spent on construction. The required sum came from the savings of all members of the family and loans granted by 45 peasant households. No state money was involved.

At present the hotel has 10 rooms which simultaneously accommodate 30 visitors. The cost of accommodation ranges from 1.5 yuan per day for a bed in a room for four persons to 5 yuan for a single room. The hotel was opened in 1985 and earned 1,400 yuan within first three months. A five-per cent production tax and a two-per cent management tax were levied on this sum.

The owner of the hotel, Zhou Laiting, 33, worked before October 1984 in the city board of a company that manufactures tape recorders. Her husband is a full-time worker at one of the farm machinery service centres. His basic salary is 45 yuan a month and counting bonuses—about 60 yuan a month. Considering the income derived from the hotel, the family's total income is 500 yuan a month.

The hotel has a hired staff of seven—three of them young and four old. Almost all of them could not find jobs for years but now earn from 50 to 60 yuan a month. This is more than the wage rates fixed by the labour and personnel board of the PRC for permanent workers in the individual sector—45 yuan a month, and assistants—30 yuan a month. Besides, they get free meals at the hotel. But in this case the total number of hired personnel exceeds the 3-5 quota set by the July 7, 1981 provisions of the PRC State Council concerning the individual sector of the economy in towns and settlements outside the sphere of agriculture.<sup>10</sup>

The present PRC leadership gives the economic reform the key role in the country's social and economic development not only in the current five-year-plan period (1986-1990) but also to the end of this century. The reform in the cities has not yet yielded tangible results, although certain successes have been scored in individual cities (Shashi and Wuhan in Hubei province; Changzhou in Jiangsu province and Chongqing in Sichuan province). But in the main all the changes took place in the collective and individual sectors. The reforms have hardly had any effect on the state sector. There have appeared a number of articles in the Chinese press on the need to invigorate the performance of major enterprises so as they could have an impact on the economic development of cities or districts. Big state enterprises so far do not have sufficient independence in the solution of questions of production and depend on higher bodies. They do not have enough incentives to manufacture products of high quality or over and above plan. As before, the management cannot independently control the assets of enterprises or even the remaining part of profits and are still restricted in the use of the enterprises' material incentives funds.

The collective and individual sectors of the economy are developing rather actively in the process of the economic reform. It should be noted that the lower the level of socialisation of the enterprise, the lower the level of management, the smaller the fixed and turnover assets and the labour force of the enterprise, the bigger the changes that have taken place in the system of enterprise management. Such enterprises are also less dependent on state planning. This has given rise to a number of negative phenomena in the Chinese economy: uncontrolled growth of local capital investments as well as price increases and inflation. Processes of social differentiation in the Chinese society have begun to develop as a result of the expanding activities of the individual and collective sectors. So, on the one hand, the economic reform in China has resulted in an invigoration of the economy production; on the other it is generating a number of new problems connected with certain negative phenomena in the country's social life.

#### NOTES:

<sup>8</sup> *Zhongguo tongji nianjian*, 1984, Peking, p. 271.

<sup>9</sup> There are two types of currencies in the PRC: *renminbi* (people's yuan) are used inside the country while the *waihui* (transferrable yuan) are used in foreign trade operations and in settling accounts with foreigners.

<sup>10</sup> *Manual of the Individual Worker*, Peking, 1984, p. 6.

JOINT VIETNAM-USSR BOOK ON ECONOMIC TRANSITION TO SOCIALISM

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[Review by V.V. Mikheyev, candidate of economic sciences, of book "Ekonomicheskiye problemy perekhoda k sotsializmu stran s nerazvitoy ekonomikoy (Materialy sovetsko-vyetnamskogo simpoziuma)" [The Economic Problems of the Transition to Socialism in Countries with Underdeveloped Economies (Materials of a Soviet-Vietnamese Symposium)], Nauka, Glavnaya redaktsiya vostochnoy literatury, Moscow, 1986, 255 pages]

A new book titled *Countries with Underdeveloped Economies: The Economic Problems of Transition to Socialism* has been published recently in the Soviet Union. This topical scientific work outlines the contemporary concept of the period of transition to socialism. The book examines specific aspects of Soviet experience and practices of European socialist nations and the Socialist Republic of Vietnam, which is especially significant in the light of the tasks set by the 27th CPSU Congress concerning the study of the experience of socialist nations, particularly its theoretical aspects.

The study consists of articles by 26 Soviet and Vietnamese participants in a 1984 symposium that took place at the Institute of the Economy of the World Socialist System under the USSR Academy of Sciences.

The symposium had great theoretical and practical significance since the problem of transition to socialism was examined there through unorthodox revision of collective experience. Academician Bogomolov writes in the preface to the book that "some Marxists used to have illusions about people's government and socialisation of the basic means of production which, in their view, should automatically ensure a substantial improvement of the people's well-being and growth of productive forces". But experience has shown, Bogomolov continues, that "there is a period of transition between the preceding socio-economic system and socialism and that this period hallmarks gigantic work aimed at establishing new social forms and social ties" (p. 3).

The problem of building socialism circumventing the stage of advanced or moderately developed capitalism is of great theo-

retical and practical value today. Vietnam and Laos are going through the phase of transition to socialism; two more nations—Mongolia and Cuba—are nearing the final stage of that transition. The socialist countries' experience is valuable to many developing nations that opt for socialist orientation and start to build prerequisites for development along socialist lines.

The Soviet authors of the monograph under review are experts of the USSR Academy of Sciences; the Vietnamese authors are scientists of the Social Sciences Committee headed by Chairman Prof. Pham Nhu Cuong and Vice-Chairman Prof. Vu Khieu, and also some ranking officials and executives, among them: Pham Van Kha, Ho Chi Minh City Public Committee Chairman; Ho Quoc Vi, a Board member of Vietnam's State Planning Committee; Prof. Luu Van Dat, Director of the Economy and Foreign Trade Institute of Vietnam's Ministry of Foreign Trade, and others.

The symposium, with its discussions and exchange of opinions, helped the Vietnamese experts to develop a scientific concept of their country's transition to socialism.

Transition to socialism is a lengthy process in which a variety of economic structures is eliminated and an economic basis for socialism is built. For nations with poorly developed economies, the distinctive feature of that process is that they approach socialism without the objective material prerequisites, for they skip the capitalist stage where those prerequisites are typically formed. The book closely examines the conditions and trends of the initial period of transition to socialism—the most difficult and intricate period.

Vietnam is now going through this phase, the nation's Communist Party pointed out at its Fourth and Fifth congresses, and will probably remain till the end of the 1990s. The monograph analyses the most acute and most complex problems that emerge during that stage: some special features of socialisation in the countries that have not gone through the stage of capitalist industrialisation; regulation of commodity-money relations and the economic management machinery during the transition to socialism; economic strategies for underdeveloped nations, and the establishment of efficient economic structures for the lesser developed socialist nations. The Soviet and Vietnamese experts agreed that it was impossible to imitate other nations. They noted the topical significance of Lenin's warnings about the dangers that underdeveloped nations would have to face if they skipped certain stages

or made too much haste in their development. The economists also showed the need for further development and creative application of the Marxist-Leninist theory, the fundamental theses of which are fully valid for Vietnam as well.

Experience of socialist construction in North Vietnam, before 1975 and later in reunited Vietnam, brings out the need to abide by certain general laws. For nations that skip the capitalist stage, the principal requirement is industrialisation. The book examines in detail the structural industrialisation policy during the initial phase of the transitional period. Basically, it is necessary to industrialise, first of all, the developed traditional branches and build an "industrial/commodity" bridge between industries and agriculture. This will make it possible to solve the food problem, which is acute, and to provide the developing industries with raw materials.

The book devotes due attention to the problem of accelerating economic development during the transitional period. It stresses the need to train skilled personnel to shoulder the bulk of the industrialisation effort and ensure adequate technological development of their countries' economies.

The transition to socialism of economically underdeveloped nations is practically impossible without favourable external economic conditions. This has been proved by the entire historical development of the world socialist system. External factors are: internationalist assistance from the more developed socialist states and members of the Council for Mutual Economic Assistance, assistance on easy terms for their broader contribution to socialist economic integration. The 1984 CMEA economic summit held in Moscow set the task of increasing internationalist assistance to the lesser developed member-states—Cuba, Mongolia and Vietnam—and of helping these countries carry out industrialisation. The summit also highlighted the problem of bringing their economic development closer to the level of the European member-states of CMEA. The monograph examines for the first time the

concept of the participation of the lesser developed nations as a special aspect in the Council's work. The book also analyses the methods of collective assistance to these nations and the role they play in the international socialist division of labour.

It is impossible, of course, to examine all aspects of the complex and insufficiently studied subject within the framework of one symposium. The authors of the monograph do not deal with certain important issues, such as the impact of contemporary scientific-technological revolution and the structural transformations in the advanced CMEA member-states on the concept of industrialisation in the lesser developed countries and its practical implementation.

There is yet another issue of great theoretical and practical interest. Karl Marx wrote that transition to socialism of nations with underdeveloped economies was a stage "of considerably shortening their advance to socialist society and largely sparing themselves the sufferings and the struggles through which we in Western Europe have to make our way".<sup>1</sup> In this connection, it is important for practical policies to have a theoretical understanding of what particular "suffering" the lesser developed nations can avoid after they embark on the path of socialist construction, how they can do it, and what socio-economic and political alternatives can be and are provided in the process.

These and some other issues determine the prospects of research in the field under review. This book is an important phase in that research.

The study is a major Soviet-Vietnamese contribution to the development of the theory and practical policies of the transitional period. It shows how cooperation is strengthening between Soviet and Vietnamese scientists and indicates identity of their views on topical theoretical problems.

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<sup>1</sup> K. Marx, F. Engels, *Selected Works*, Progress Publishers, Moscow, Vol. 2, p. 403.

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## ON THE HISTORY OF THE SOCIALIST ECONOMY IN THE PRC

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[Review by A.V. Nikoda, candidate of economic sciences, of book "A Short History of the Socialist Economy in China (1949-1983)," Harbin, 1985, 480 pages]

The growing volume of economic literature in China adds coherence to our view of the history of the country's economy, both as a whole and in separate regions and branches.<sup>1</sup> Of interest in this connection is a collective work by Chinese economists, *A Short History of the Socialist Economy of China (1949-1983)*, edited by Liu Suinian and Wu Qungan. Taking part in the preparation of separate chapters were also Sun Huaiyang, Zhu Wanshi, Xu Dihua, Cui Jie, Xie Duyang. The book is not an ordinary one judging by its contents, and this is proved by the fact that it bears a title inscription by Chen Yun. The introduction is written by the well-known economist Xue Muqiao, who stresses the practical and theoretical importance of studying the history of the national economy in order to understand correctly the present situation in China and the building of socialism under specific Chinese conditions. At the same time, he correctly notes that "the study of the history of the PRC's socialist economy is only in its initial stage and thus the book is a first fruitful effort" (p. 1).

The monograph deals in a factual way with separate stages of development of the PRC's national economy, including such notorious periods as the "great leap forward" and the "cultural revolution"; it analyses in more detail than ever the course of the economic process, the ups and downs of the struggle over the preparation and fulfilment of the economic plans, and gives an objective assessment of the successes and errors in China's economic development over more than 30 years. The authors stick to the division into periods given in the *Decisions of the Party on Certain Issues of the CPC's History Since the Formation of the PRC*.<sup>2</sup>

The book consists of five parts, each dealing with a separate period of development of the national economy. The first is devoted to the rehabilitation period (1949-1952), when in step with fulfilment of the programme of "a new democratic way" conditions



were created for socialist transformations. Part Two is devoted to the period of the first five-year development plan (1953-1957), from the working out of the Party's "general line" for this period to the realisation of the plan and strengthening of the socialist system through the cooperation of peasants, and handicraftsmen, ousting of private capitalist enterprises and the creation of state-capitalist enterprises.

A positive feature of the work under discussion is that at the end of each part it sums up the results of economic development during a corresponding period and lists both positive experience and mistakes. As regards the 1949-1957 period, the book cites both traditional views and those expressed in recent time. It gives credit to Chen Yun as the chief architect of the economic policy of those years, notes his struggle for a healthy development of the economy and against "running too far ahead in carrying out socialist transformations".

The first two parts of the book account for almost half of its pages. The authors have also devoted attention to the contribution of the Soviet Union and other socialist countries to China's industrialisation.

Undoubtedly, the most important part that gives a better understanding of "Chinese reality" is the one devoted to the period of the "great leap forward" and the "readjustment" of the national economy (1958-1965), as well as the part entitled "The Period of Ten Years of Chaos in the National Economy (1966-1976)". Here the authors cite concrete facts to show the baneful impact on economic development of sundry political campaigns and the neglect of economic laws of socialism. The description of political infighting, hitherto unknown draft plans, economic measures and political planks coupled with a lot of factual materials give the reader a sufficiently detailed knowledge of the events without which it is not always possible to grasp the meaning of decisions and the economic essence of events taking place in China. The period of the "cultural revolution", the least known by the general reader, is dealt with in less detail than the preceding periods and one has a feeling of certain reticence in this part.

Rather schematic, in our opinion, is also the coverage of the last period, that is, the current stage of China's economic development (1976-1983), with scarce materials offered on the first three years (1976-1978) after the death of Mao Zedong. It seems

that the time is not ripe yet for a more in-depth study and an objective assessment of the present phase of economic development.

On the whole, *A Short History* is undoubtedly one of the most interesting works on the present-day economic history of China. It could also become a valuable aid in the study of ways of building socialism in underdeveloped countries. The book's publication can be traced to the attempts to understand current events in China, to the search for ways of further development of the country's economy. The general tone of the book is quiet, its value is determined by analysis and factual illustration of the process of economic development, comparison of planned targets with available resources and actual results, as well as the presentation of economic policy at different periods. Perhaps, for the first time the book clearly divides into periods the "great leap forward", presents a rather concrete temporal framework of the stage of "readjustment" (the 1960s), the ups and downs in production during the 10 years of the "cultural revolution" chaos.

Taking the book in the context of current events in China one cannot help thinking that, besides the main goal of objectively and compactly writing up the course of the PRC's economic development, the authors also attempted to "dish up" the most successful experience of social transformations, carried out with due consideration of China's peculiarities. More advantageous in this respect are the periods of rehabilitation (1949-1952) and the first five-year development plan (1953-1957), to which the book devotes quite a lot of space. Socialist transformations in China between 1949 and 1957 were in their time written up in detail by Chinese economists<sup>3</sup> but the authors of the book under review focus on the state's policy under conditions of a multi-structured economy. This phenomenon is not fortuitous: it echoes the current discussions on the concept of planned commodity economy.

As is known, rehabilitation of the national economy in China was proceeding in conditions of extreme poverty and dislocation and was completed in three years largely because the state concentrated in its hands the management of finances, trade and money circulation. In this connection the book repeatedly cites the point made by Chen Yun in 1949: "the less means and materials the more the need for centralised

management" (p. 26). At the same time prominence is given to "a very attentive study, analysis and use of the law of value" (p. 87). The linkage with current problems is obvious: the questions of correlation of administrative and economic leverage are being widely discussed by the Chinese press in view of the economic reform in the PRC.

Between 1949 and 1952 conditions were created on the whole in China for the building of socialism, initial experience of socialist transformations was gained and the people's living standards were raised.

The main idea of the transition period—"a gradual transformation of an agrarian China into an industrial China", a turn from a state of "new democracy" to a socialist state—became a basic concept of the CPC's "general line" during the transition period. This policy was first put forward at the 2nd Plenary Meeting of the CPC Central Committee of the 7th convocation in March 1949 (p. 99) and officially adopted as the Party's programme for the transition period at the 4th Plenary Meeting in 1952. Its main objectives are known from many publications, however even today the Chinese press, turning to the experience of history, evaluates this programme as the one that was most closely in tune with the objective reality and conditions of China.

The 1953-1957 period is of special significance in the history of the PRC economy. During this period the country, in the most determined way, laid the material foundation of a socialist society, built the basis of large-scale industrial reproduction and broadly cooperated with the Soviet Union and other socialist countries. The essence of economic construction in the 1950s was an improved structure of the social product through an increase of the share of industrial production and the share of the means of production in industrial output. During the fulfilment of the five-year development plan these targets were on the whole achieved: the share of gross industrial production in the gross volume of industrial and agricultural output went up from 43.1 per cent in 1952 to 56.7 per cent in 1957, and that of means of production in industrial output increased from 35.6 per cent to 48.3 (p. 181). Over a short period China built the basis of an integral industrial system.

Today nobody denies that the Soviet Union's assistance played a decisive role in building the basic branches of industry in

the PRC. This has been recognised both by the Chinese and Western press. The volume of Soviet assistance is evaluated as rather big in the history of international cooperation. *A Short History...* seems to belittle somewhat the importance of the external factor in creating the material basis of socialism in China. As noted in the book, "the share of foreign loans between 1952 and 1957 accounted for 2.7 per cent of the country's financial income" (p. 110), or 6.5 per cent of capital investments during the five-year period. It is indicative that during the sixth five-year development period (1981-1985), foreign capital invited by China in all forms made up about 15 per cent of capital investments, although no essential restructuring of industry took place. This fact is yet another proof of the high effectiveness of the economic assistance rendered by the Soviet Union to the People's Republic of China in the 1950s.

Under the first five-year development plan the PRC carried out, along with economic construction, large-scale socialist transformations: the socialist sector in industry and trade was consolidated through the creation of state-capitalist enterprises and the ousting of private-capitalist enterprises; in the countryside production, purchase-marketing and credit cooperatives were set up all over the country; a single system of centralised procurement and supply of grain and vegetable oil was formed; cooperation of handicraftsmen was proceeding in cities. According to 1957 data, 98 per cent of peasants were united in agricultural production cooperatives, 90 per cent of handicraftsmen in city cooperatives, the private-capitalist mode of production was practically eliminated from industry and accounted for a mere 3 per cent of the turnover in retail trade. The share of the state sector in the national income reached 33 per cent, the cooperative sector—56 per cent and the state-capitalist sector—8 per cent. Individual and capitalist production accounted for 3 and 0.1 per cent respectively. That means, as the book points out, that the objectives of the transitional period were in the main achieved.

In the course of fulfilment of the first five-year development plan, China gained certain experience in economy planning, including the correlation of accumulation and consumption in the national income, the choice of priority construction projects. Noticeable successes were chalked in the use

of foreign trade ties, in finding reserves and in centralised transfer of material resources, in boosting labour productivity and economic efficiency. Under the first five-year plan for the first time since its formation many technological and economic indices of the PRC reached record levels. At the same time those years were also marked by certain elements of "leftist deviations" in economic policy and construction. In 1955-1956 excesses were registered in the co-operation of peasants; administrative measures were used to speed up cooperation, excessively large cooperatives were set up, levelling principles were introduced in benefits' distribution and the interests of middle peasants were being infringed. There was undue haste in the cooperation of handicraftsmen. In the course of transformation of private-capitalist enterprises their technological and cooperation ties were violated and this hampered normal development of production (p. 152). In 1956 serious mistakes were made in economic construction: investment in capital construction was unjustifiably increased (by 62 per cent compared to 1955), construction of several hundreds of new projects was started, peasants were assigned on a large scale to work at industrial enterprises and on construction sites, which led to a sharp aggravation of the problem of food supplies to the city population and worsened the financial and economic indices.

In 1956 the disproportions in the national economy were countered by a system of measures known as "readjustment" of the economy, repeatedly resorted to in subsequent years. Its author, Zhen Yuan, pointed out that "during large-scale construction a priority problem is economic stabilisation". This implies the balancing of incomes, expenditures and bank credits (taking into account the existence of certain reserves); observance of priorities in supplies of the most important raw and other materials (first, for the production of essential commodities, then the means of production; the rest goes into capital construction); increased purchasing capacity must be accompanied by increased production of consumer goods; the planning of capital investment and financial revenues must take into account not only the current year but also the perspective; lastly, it is necessary to make a precise estimate of the situation in agriculture because it determines, to a large

extent, the scale of capital construction (p. 214).

It is acknowledged in China today that just a little more than a year after the 8th CPC Congress, held in September 1956 to sum up the results of construction of socialism and to map out ways of further development, the normal course of progress in the economy was abruptly interrupted by the "great leap forward" policy. Officially adopted at the second session of the 8th CPC Congress (May 1958), it negated the correct decisions taken in 1956. The "great leap forward" took time to come to the fore. Its dramatic results are generally well known: unjustified exertion of too much human energy, waste of material and financial resources, tremendous damage to agriculture, a lowering of the living standards, violation of the main economic proportions. The "great leap forward" and "communisation" seriously compounded many problems in the countryside.

Planned targets for 1959 were approved after a tough debate. The unjustifiably high targets put forward during the "great leap" were gradually "readjusted" down to life-size proportions. The adoption of the final targets at the 8th Plenary Meeting of the CPC Central Committee of the eighth convocation (known as the "Lushan Plenum") was a great victory in the fight against the "leftism" and marked the beginning of normalisation. However, after the plan was approved by the plenary meeting, events took an unexpected turn. It was spurred, as the authors point out, by a well-known letter sent to Mao Zedong by Peng Dehuai who made no bones in evaluating the policy of the "great leap forward" and the "people's communes". The letter said that "because of petty-bourgeois fanaticism we easily made 'leftist' mistakes; thinking that it is possible in one stride to step over into communism, we threw overboard 'the general line of the masses and the principle of agreement with reality' worked out by the party over such a long period; we forgot that policy, as a commanding force, would not replace economic laws and concrete measures in economic work"... (p. 256). Using Peng Dehuai's letter as a pretext for "continuing a life-or-death struggle of the proletariat against the bourgeoisie", Mao Zedong came at the head of the fight against the measures aimed at correcting the consequences of the "great leap forward". In the summer of 1959 several measures aimed

at normalising agricultural production and the peasants' life were subjected to massive criticism as "rightist deviations". Step by step an ideological atmosphere was created for a fresh "leap". In the opinion of the authors, the second wave of the "great leap forward" campaign began in the first half of 1960.

In March 1960 the 2nd session of the All-China People's Congress (second convocation) adopted unrealistic plan targets for that year. In the same month the CPC Central Committee took a decision on a large-scale formation of "people's communes" in cities and on the continuation of free village canteens.

Three years of the "great leap forward" swung the country's economy into serious dislocation. As industry developed and the city population increased, there was a sharp boost in centralised purchases of grain. The peasants' burden became much heavier: the share of grain purchased by the government went up from 25 to 36 per cent, the production and social conditions of the peasants' life deteriorated (p. 267).

One-sided emphasis on steel production led to sharper disproportions between the development of the extractive and processing industries, light and heavy industries (the ratio of gross outputs of light and heavy industries changed from 3:2 in 1957 to 1:2 in 1960) and also between the deliveries of industrial raw materials and the capacity of transport. Food and industrial goods supplies to the population went down. During the years of the "great leap" the per head consumption of grain across the country dropped by 19 per cent (in cities by 17 per cent and in villages—24 per cent), pork—69 per cent and cotton—59 per cent (p. 271).

In the second half of 1960 industrial growth slowed down, the output of many industrial and agricultural items slid back. In effect, the country faced a crisis, and urgent measures were needed to put the economy back on course. According to the authors, from June 1960, when the CPC Central Committee's directive "The whole party is taking up agriculture, gets down to grain production" was published, to the August 1961 CPC Central Committee Lushan working conference, there was a gradual turn from the "great leap forward" policy towards the "readjustment" of the economy. In September 1960 the party came up with the line of "readjustment, strengthening, re-

plenishment and enhancing". In January 1961, the 9th Plenary Meeting of the CPC Central Committee (eighth convocation), discussing the economic plan of development for 1961, decided to follow the above course for two or three years. The main targets of "readjustment" were defined as rehabilitation of agriculture and industry, radical improvement of the financial situation and the tackling of the most acute issues. Still, in 1961 the influence of "leftism" remained rather strong; the situation was far from clear; the leadership lacked unanimity in the assessment of the depth of the crisis phenomena, the rates of rehabilitation and the scale of capital construction.

In the initial phase of "readjustment" the main efforts were concentrated on consolidating agricultural production, bringing the market in order, cutting back the number of workers and employees. In agriculture, despite several decisions by the CPC Central Committee, the change-over to new principles of work was proceeding very slowly. A special decision was taken to implement a differentiated purchasing policy with regard to three categories of agricultural output.

To satisfy the minimal needs of the urban population, the government listed 18 kinds of essential foodstuffs and organised their sales at fixed prices and in limited quantities. At the same time, a campaign was launched to reduce the number of city dwellers, mainly at the expense of former peasants who had joined the ranks of workers and employees during the years of the "great leap". In industry and capital construction no serious steps were taken until the autumn of 1961. In August 1961 the CPC Central Committee decided at its working conference that "readjustment" in industry and capital construction should have been started as far back as the spring of 1960, and that the work of "readjustment" had been harmed for more than a year (p. 282).

In 1962 the policy of "readjustment" was conducted most decisively in several directions. Substantially cut back was the volume of capital construction. Compared with 1961 the number of projects under construction was cut by 10 thousand, including the number of major and medium-size projects—by 406. Consistent implementation of the "readjustment" policy in 1962 resulted in a slump of production in a number of industries. The capacities of many enterpri-

ses remained 50-80 per cent idle, while some heavy industry enterprises had no production targets at all. Under the circumstances, work was begun on "closing, stopping, merging and shifting over to other kinds of production" of industrial enterprises. As of October 1962 work has ceased at 44 thousand industrial enterprises at the county level and higher, that is, 45 per cent of the enterprises registered by the end of 1960 (p. 293).

In agriculture, too, work was continued to streamline production. In September 1962 the 9th Plenary Meeting of the CPC Central Committee confirmed production teams as the basic work units. On the whole the results of development of the PRC economy between 1961 and 1965 along the road of "readjustment" are viewed in the book as positive.

Analysing the negative experience of the "great leap forward" the authors stress that, in implementing transformations in production relations, it is not permissible to ignore the level of development of productive forces; they note haste in the organisation of "people's communes" and in cooperation of handicraftsmen, in socialisation of state-private enterprises (p. 333). They state that "under conditions of underdeveloped China, after the introduction of a socialist economic system, it was necessary to preserve, for quite a long time, different forms and methods of economic management. A conclusion is drawn from what is considered valuable practical experience, that it is necessary to combine planned management with market regulation.

The period between 1966 and 1976 is known in China as "ten years of chaos" in the economy. Economic construction at the time proceeded under the slogan "Get ready for war, get ready for natural disasters". The third five-year plan (1966-1970), initially drawn up in the spirit of "readjustment", was substantially brought in line with the target of speedy establishment of basic industry in the hinterland regions, i. e., country's strategic rear. The average annual growth rate of industrial and agricultural production was set at 9 per cent, but the outbreak of the "cultural revolution" put off the realisation of the plan to a distant future.

In May 1966 the 11th Plenary Meeting of the CPC Central Committee, marking the beginning of the "cultural revolution", passed two programme documents: *The CPC*

*Central Committee Announcement of May 16 and The Central Committee Decision on the Great Proletarian Cultural Revolution* which, in the words of the authors, "caused confusion in the leadership and disorder in management". Political campaigns that got under way in the second half of 1966 disrupted the normal work of industry and transport.

Attempts to stave off the approaching chaos were made by Zhou Enlai back in November 1966, but the "cultural revolution", gaining momentum, disrupted economic work and worsened the economic situation in the country. According to the authors, 1967-1968 were the worst years of the "decade of chaos". Party control over economic work had significantly weakened. The work of the planning organs was fully paralysed, contracts for supplies of production outputs were not concluded. The work on compiling the economic development plan for 1968 was not even started. Disorders in transport and the coal-mining industry disrupted the normal development process of the whole economic complex. In the second half of 1967 daily production at many enterprises dropped by 30-60 per cent. Due to shortage of workers in the main technological processes, and also lack of raw materials and energy many enterprises halted operation; labour productivity sharply declined. In 1967 the gross output of industry slid by 14 per cent on the previous year and by another 5 per cent in 1968. Agriculture was also in for stagnation. The losses of gross industrial and agricultural production in those two years alone amounted to 110 thousand million yuan, according to the authors (p. 362).

Attempts to correct the situation did not produce any substantial results. Under the 4th five-year plan (1971-1975) the national economy was characterised by the same features as in the previous years. In the opinion of the authors of the book, planned targets were unrealistic "fulfilment of indices would have been an extremely difficult task even under the most favourable of conditions" (p. 380). In 1971-1972 the disproportions in the economy grew still larger. In January 1973 an All-China planning conference discussed these problems and decided to correct the 4th five-year plan. Approved in June of the same year was the corrected draft of the plan envisaging, in particular, the lowering of the target for steel in 1975 from 35-40 million tons to 30 million tons. The conference outlined a number of mea-

sures to "readjust" the national economy.

In 1975 the PRC completed its 4th five-year plan, the results of which like those of the previous one, turned out to be far from brilliant. Out of its 51 main targets 25 remained unfulfilled; out of 30 major types of heavy industry output the plan failed in 18 types and of 11 types of light industry production the plan was not fulfilled in four cases (p. 411). In 1976, according to the authors, "leftism" (they mean the "gang of four") seriously damaged the economy: industrial production rose by a mere 1.3 per cent on 1975, and agricultural production by 2.5 per cent. Commissioned were 85 large and medium capital construction projects (half the figures of 1975) and the losses of state enterprises reached 17.7 thousand millions yuan, having trebled on the 1965 figure. In the authors' estimate, in 1974-1976 chaos in the national economy cost the country 100 thousand million yuan through losses in gross industrial output (p. 415).

October 1976 is believed by the Chinese party and press to be the end of the period of "ten years of chaos" and the beginning of normalisation. It was the time when the leaders of the so-called "gang of four" and their closest supporters were stripped of their posts. The authors of the book also note that in the first half of 1977 the situation in industry and transport was improved. In 1977 gross industrial output showed a 14 per cent increase on the 1976 figure and went up by another 13.5 per cent in 1978. Still "leftist" methods continued to manifest themselves in economic policy and construction. Discussing the ten-year plan of the PRC's economic development for 1976-1985, the 1st Session of the All-China People's Congress (4th convocation) again came up with inflated figures and proposed a grand but unrealisable investment programme. In 1978 the share of accumulation in the national income reached almost 37 per cent, the correlation between agriculture, light and heavy industries worsened, the effectiveness of capital investments continued to drop and the quality of output lowered. The problem of unemployment in cities became sharply aggravated with the number of the unemployed reaching 20 million (p. 444).

The 3rd Plenary Meeting of the CPC Central Committee of the 11th convocation (December 1978) is unanimously called by the Chinese press "a historic turning point" in the country's development. The meeting

came up with a complex of measures aimed at putting the country's economy in order. In April 1979 the course towards "readjustment, reform, streamlining and enhancement" received official confirmation. In the sphere of agriculture a decision was taken on the work of the "people's communes", on higher purchasing prices for grain beginning from 1979, and a number of other measures. In November 1981, the 4th Session of the All-China People's Congress (5th convocation), pursuing the course of "readjustment", instructed that priority be given to economic effectiveness. In December 1982 the 5th session of the All-China People's Congress approved the plan of the PRC's economic and social development for 1981-1985 calling "readjustment" a major economic task of the five-year plan.

Under the 6th five-year plan according to the data published by the Chinese press, some positive shifts have been registered in the PRC economy. The main proportions in the national economy have improved, the share of accumulation in the national income has lowered while the share of agriculture and light industry in gross industrial and agricultural output has increased. In distribution of investments more attention is being paid to technical reconstruction of existing enterprises. In agriculture a system of responsibility for production has been widely introduced, and subsidiary individual plots have been reinstated. In foreign trade new forms of trade and economic cooperation have been more widely used and special economic zones created to invite foreign capital. Certain results have been achieved in the streamlining of industrial enterprises;

progress has been made in some branches in the development of science and technology and in the reform of the economic mechanism. Employment in cities has expanded, the living standards of workers and employees have been raised and incomes of peasants have gone up.

For 30-odd years, China's national economy, travelling a complex road of socialist transformations, has undergone major changes and accumulated a lot of experience in economic construction. But, which is quite natural, it is not free of certain residues of the past—the consequences of errors and miscalculations during the turbulent periods in the country's history. Constant interest in the recent past of the People's Republic of China and the study of new pages of her economic development in the light of existing concepts helps better understand not only the events of those years but also current processes.

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<sup>1</sup> The following books can be placed in the same category: *The Reform of the Economic System in Modern China*, Peking, 1984 (in Chinese); *The Problems of Planned Management in China*, Peking, 1984 (in Chinese); *The Structure of China's Economy*, Moscow, 1984 (in Russian).

<sup>2</sup> The final Party document adopted by the 6th Plenary Meeting of the CPC Central Committee in June 1981.

<sup>3</sup> Some of the works have been translated into Russian. See Luo Yuanzeng, *Economic Transformations in the PRC*, Leningrad, 1955; Zeng Wenjin, *Socialist Industrialisation of China*, Moscow, 1959; Wu Jiang, *Questions of Transformation of Capitalist Industry and Trade in the PRC*, Moscow, 1960.

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## HANDBOOK ON CHINA'S PRIVATE INDUSTRY SECTOR REVIEWED

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[Review by Yu.V. Tsiganov of book "Chengxiang geti gongshanghu jinying shouce" [Handbook on Economic Operations of Urban and Rural Private Industrial and Trade Enterprises], Guizhou renmin chubanshe, Guiyang, 1985, 298 pages]

[Text] One of the distinctive features of PRC economic policy in recent years has been the encouragement of the development of various economic forms, including the private sector. Whereas only 140,000 people were employed in this sector in 1978, by the end of 1985 there were around 12 million private enterprises, employing over 17.5 million people.<sup>1</sup> The private sector's share of the gross industrial product has increased perceptibly. In 1980 it was 80 million yuan, or 0.02 percent of the gross industrial product, but in 1984 it was 1.48 billion yuan, or 0.21 percent.<sup>2</sup> Private trade enterprises also displayed rapid development. Whereas 136,000 people worked in 108,000 such enterprises in retail trade in 1978, 6,631,000 people worked in 5,196,000 such enterprises in 1984.<sup>3</sup>

Various facets of the private sector's existence are examined in detail in this handbook. It is intended to provide the necessary information about economic operations and management to people wishing to engage in private economic activity.

The authors define the private sector as an economic form in which the working owner possesses the means of production he needs and makes use of all the results of labor after state taxes. These means of production are usually the tools of simple manual labor and sometimes even household appliances, such as the sewing machine. Some private producers have mechanical tools of labor and mechanical transport. The production unit generally consists of one person or one family performing economic activity or services independently. This economic activity can also be performed on a joint or cooperative basis. In some cases, with the consent of the managers of the industrial and trade administration, the private owner can have two or three assistants and several apprentices (p 50). In this case, a contract is written up to define the rights and obligations of both sides, work hours, remuneration, etc. The contract must be submitted to the industrial and trade administration.



The Chinese authors say that in the socialist society, where public ownership of the means of production prevails, the private sector is a necessary addition to the state and collective economy. Current state policy on the private sector is a long-range policy based on consideration for objective conditions.

The Constitution of the PRC defines the role of the private sector. It says that the private enterprises of the laboring public in urban and rural areas which operate within the law are a supplement to the socialist economy, and the state will protect the rights and interests of the private sector. This means that no organization can interfere arbitrarily in the legal activities of private enterprises. Only the appropriate agencies can collect taxes and curtail their operations. Activity in the private sector is covered by such legal provisions as "Some Political Provisions of the State Council on Private Economic Units in Cities and Villages Unconnected with Agriculture," the "Additions to Some Political Provisions of the State Council on Private Economic Units in Cities and Villages Unconnected with Agriculture," and "Some Provisions Regarding Private Industry and Trade in Rural Areas." The operations of private enterprises are also covered by legal provisions common to all enterprises, such as the "Law on Economic Contracts," the "Verification Procedures for the Registration of Industrial and Trade Enterprises," the "Trademark Law," "Methods of Managing Market Trade in Urban and Rural Areas," and others.

The compilers of the handbook note that there were many peasant farmers, craftsmen, and petty merchants in the private sector in the initial period after the establishment of the PRC. During the first 5-year plan the state instituted socialist reforms in agriculture, cottage industry, and capitalist trade and industry. The reforms were carried out too quickly, however, and this resulted in errors: Associations of craftsmen and petty merchants were too large, the private family plots of commune members were collectivized indiscriminately, enterprises unfit for economic operations were included in associations, and the economic operations of many enterprises were reduced or terminated. This reduced the size of the service network and caused the quality of public services to decline. Later, under the influence of "leftist" errors, market trade in urban and rural areas was curtailed and the subsidiary farming sector was reduced more and more. The activities of the private sector, referred to scornfully as the "tail-end of capitalism," were restricted more and more. It was not until the third plenum of the 11th CCP Central Committee, when economic policy was liberalized, that the private sector underwent comparatively rapid development. Even now, however, there are doubts and prejudices against the private sector as a result of the prolonged influence of "leftist" errors.

The handbook says that socialist reforms in the Chinese economy also made radical changes in the private sector.

During the initial period of the PRC's existence, the private sector was under state control but had numerous connections with the capitalist sector. Now the private sector is a supplement to the economy based on public ownership.

The authors believe that the private sector should promote livelier economic activity, the organization of market trade, and the development of production. It is quite effective in satisfying consumer requests. Private enterprises are operating in trade, public catering, minor repair, transport, construction, and home remodeling services--wherever state and collective enterprises are inadequate or lacking. Private owners can lease or contract part of the sphere of services, trade, repair and so forth which is the province of state and collective enterprises but is unprofitable for them. The private owner's methods of operation are flexible and his work hours are unrestricted. The number of trade, public catering, and service enterprises increased by 7,895,000 between 1978 and 1984, and private enterprises accounted for 7,103,000 of these, or 90 percent of all enterprises of this type.<sup>4</sup> The private sector increases employment (and in the cities several million people need to find jobs each year) and saves state funds. Since the second plenum of the CCP Central Committee (in February 1978), 580,000 young people "waiting for jobs" have engaged in independent economic activity in cities and villages. This has saved 100 million yuan in state job placement funds. Around 5 percent of the surplus labor in rural areas is employed in the private sector. The private sector increases state budget revenues. From 1982 to 1984, for example, this sector paid 2.3 billion yuan in taxes to the state.

The handbook stresses that today's private owners are "young people waiting for jobs" (they account for around 40 percent of all the private owners, and for more than half in some locations) (p 4). These are people from rural areas with a labor surplus, retired individuals with administrative experience, professional skills, and the ability to train apprentices, and people with a knowledge of traditional crafts and the ability to restore them.

The funds needed to start economic activity, the handbook reports, can be obtained by the private owner in various ways: He can save money, borrow from others, or apply for bank credit. Before a person can open a private enterprise, he must apply for a permit. The application must first be approved by the neighborhood administration and then be submitted to the industrial and trade administration. If the application is approved, the permit is issued. In some cases permits from other agencies are required. For example, a public catering enterprise requires a permit from sanitary inspection agencies and a health certificate. Besides this, the enterprise is registered by the industrial and trade administration.

When private enterprises are being organized, the authors note, bank accounts can be opened. Temporarily unused funds are deposited in the bank. Interest is paid on these accounts monthly, from 0.45 to 0.75 percent, depending on the length of the deposit. When money is needed, it can be withdrawn from the account without restriction. Any private enterprise operating in accordance with state policy, observing the law, and having a permit for economic activity can apply to the bank for credit when it needs money for the development of production and the establishment of market contacts.

Credit is extended for a term ranging from 6 months to a year. For some enterprises it is extended for up to 3 years. Applications for new loans to repay old ones are not permitted. There is a penalty of 20 percent for late

payments. When necessary, defaults are investigated by the appropriate agencies in accordance with the law. When credit is used in violation of state laws and policy, the creditor is empowered to demand repayment and charge a penalty. When the private owner signs a credit agreement with the bank, the purpose of the loan, the terms of repayment, the amount of the loan, and the rate of interest are stipulated in the agreement. Interest rates are set by the Bank of China. The current rate on all loans for the private sector is 0.72 percent. The rate is increased by 50 percent if the credit is used for unauthorized purposes or if the limits of authorized activity are exceeded.

After the private owner has received a permit for economic activity, he must submit an application to tax agencies and take care of some formalities. Tax agencies issue a "tax payment guide," which is an official document. Taxes must be paid in the place of registration. If there is no document from tax agencies, taxes are levied on a "temporary enterprise" at a higher rate. For example, the tax on transactions is 3 percent for a trade or industrial enterprise with a document and 5-10 percent for a "temporary enterprise" (p 42).

The main taxes collected from private enterprises are the taxes on products and on economic activity and the income tax. Taxes on products and on economic activity are set by the state for the specific goods and commercial transactions of various enterprises. The first is from 3 to 50 percent and the second is from 3 to 10 percent (pp 68-74, 74-76).

Enterprises with an operational volume below the minimum are exempt from the tax on economic activity. If a private enterprise supplies state or collective enterprises with goods, the latter will pay the tax on these transactions instead of the private enterprise. The income tax rate of the private enterprise is set by the people's government of the province or city. In Guizhou, for example, there is a progressive income tax--from 7 percent (for an income of under 180 yuan a year) to 50 percent (over 5,000 yuan a year) (p 67).

The income tax is collected along with the tax on economic activity at a combined rate. The economic activity tax rate (or product tax rate) is added to the income tax rate. The income tax is calculated by district or municipal agencies quarterly and collected monthly. Some enterprises can be granted temporary exemptions wherever this is necessary for the development of production (especially in agriculture). There are penalties for tax violations, and criminal proceedings are instituted in some cases.

The private enterprise can hire management and legal experts as consultants.

The private enterprise should sign contracts with the appropriate organizations or other private enterprises on deliveries of goods or raw materials in the next year, and these should stipulate the name and type of commodity, packing requirements, quantity, quality, technical features, prices, and mode of transport.

The resolution of problems in training and economic activity requires organization. It was for this reason, the handbook says, that the association of

self-employed individuals was established. It was established on a voluntary basis and is under party and state control. It is supervised by the boards of industrial and trade administrations on various levels. The association assists in the activity of the private sector and protects the legal rights and interests of private owners. The guiding principle here is self-management. Any private owner engaging in economic activity with a permit from the industrial and trade administration, apprentices, and assistants can become members of the association. The association's functions include propaganda of the party line, socialist and patriotic indoctrination, the dissemination of production and managerial experience, occupational training, the distribution of information, the protection of the legal interests of members, and the organization of mutual assistance and insurance. The association's administrators can include several government officials to assist in the fuller satisfaction of the needs of association members (for deliveries of raw materials, fuel, capital, etc.) and help them surmount difficulties in their economic operations.

The handbook also contains information about the organization of the private enterprise, taxation, the banking system, insurance, and economic legislation, tells how to draw up an economic contract, obtain a trademark, post an ad, organize commercial shipments, keep efficient accounts, arrange for the proper storage of goods, buy commodities, and fill out various forms, and defines economic terms.

#### FOOTNOTES

1. RENMIN RIBAO, 23 February 1986.
2. "Zhongguo tongji nianjian," Beijing, 1985, p 306.
3. Ibid., p 487.
4. Ibid.

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BOOK ON CHINA'S SOCIAL ENVIRONMENT, REVOLUTIONARY MOVEMENT

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 165-168

[Review by M.F. Yuryev, doctor of historical sciences and professor, of book "Iz istorii ideynoy borby v kitayskom revolyutsionnom dvizhenii 20-40-kh godov" [From the History of the Ideological Struggle in the Chinese Revolutionary Movement of the 1920's-1940's] by A.V. Pantsov, Moscow, Glavnaya redaktsiya vostochnoy literatury izdatelstva Nauka, 1985, 116 pages]

The development of the revolutionary process in China is a major contemporary historical problem. Study of the deep, primarily

social sources of ideological and political contradictions within various detachments of Chinese revolutionary forces from the 1920s to 1940s gives better understanding of the situation in modern China. In recent years Marxist historiography has delved into various problems facing the Chinese revolutionary movement. Yet the questions raised in the monograph under review have so far not been sufficiently studied.

The book examines the influence of China's pre-revolutionary social milieu on the main force of China's revolution—the CPC. From this angle the author examines all aspects

of the party's organisational, ideological and political life over a long period of time—from the appearance of the first communist circles to the CPC's assumption of power. The study is comprehensive in scope, and its general approach to the subject can be described as historico-sociological.

A. Pantsov did a good job by digging up and studying authentic facts and materials. It can be confidently stated that he did not miss any major document either of the Communist International on the Eastern and Chinese questions or of the CPC. The author studied the works of CPC leaders of different periods—Wang Ming, Liu Shaoqi, Mao Zedong, Peng Dehuai, Peng Zhen, Qu Qiubai and Zhou Enlai. Critically analysed are memoirs of the participants and witnesses of the events. Many documents and materials have been brought to the attention of scholars for the first time.

The structure of the monograph provides a logical layout of a great volume of materials used by the author.

In Chapter I, by way of introduction, A. Pantsov dwells on the peculiarity of China's social structure in the 1920s-1940s. He does not simply repeat the known points regarding the patriarchal precapitalist nature of Chinese society but uses them as basic facts to characterise the main economic interests and social moods of various public forces that made the grassroots of the CPC and exerted mighty influence on all aspects of its life. Such an approach by the author is well justified because in conditions of an underdeveloped transitional structure of pre-revolutionary Chinese society, as shown by its multi-layered composition and the slowness of the emergence of modern classes, the thin layer of the Chinese proletariat was unable to subdue to its interests the sundry, in A. Pantsov's words, "social instincts" of the mass of population that was drawn into the revolutionary struggle. Over the whole period of the national-democratic (primarily national liberation) revolution the non-proletarian social interests and moods exerted substantial influence on the CPC.

The author convincingly demonstrates in what way the ideological and political planks of many leading figures of the CPC, as well as the political behaviour of the rank-and-file, reflected the social psychology of the lumpen-proletariat, pauper, patriarchal-peasant, and petty-bourgeois layers of the population. He also gives considerable thought to analysing the influence on Chinese

revolutionaries of proletarian interests and sentiments, justly noting that the latter were formed under the impact of a number of factors both accelerating and slowing down the emergence of class consciousness among factory workers (pp. 23-24). Research in this sphere helps better perceive the major directions of ideological and political development of the CPC during its struggle for the national and social liberation of the people, as well as at present.

Singling out different types of economic interests and social moods among diverse groups of the Chinese population, the author, at the same time, justly points out their "relative amorphousness" (pp. 24, 25). Deep socio-economic and political factors, such as general instability of China's economy, the dissolution of old and incomplete formation of new social strata, the appalling poverty and constant threat of famine among the majority of the population, economic and political isolation of regions, endless wars, the general national character of the revolutionary movement—all this hampered "the clear delineation ... of social sentiments, often slurring serious differences between them" (p. 25). The point is well taken. It makes clear the problem of eclecticism in the views of a number of revolutionary figures in China. The diffusion of social feelings of popular masses, naturally, also told on the CPC's infighting, and brought about frequent compromises between adherents to different views.

Of special interest is Chapter II dealing with the least explored problems of organisational construction of the vanguard of the revolutionary forces and the study of the forms and extent of influence by the social environment on this construction. Based on analysis of a multitude of documents, this part of the book largely fills in the gap that existed until now in Soviet Sinology, as the problems of development of the Communist Party's organisational structure in the 1920-1940s were explored insufficiently. Having studied in detail the dynamics of the Party's numerical and social composition, the author shows that even in conditions of an industrially backward country the proletariat was able—and it is confirmed by the experience of the first years of the CPC's existence—to provide a large number of fighters for the liberation of the Chinese people. The author sees the main reasons for change in the social make-up of the CPC primarily in objective factors—the difficulty

in developing the urban working-class movement during the 1930s and 1940s, the peculiarities of the practical struggle of Chinese Communists operating from the late 1920s mainly in the countryside as well as, to a certain extent, the erroneous policies of some CPC leaders in the organisational sphere. These conclusions seem to be well substantiated and convincing, refuting once again bourgeois anti-communist allegations that in the 1920s-1940s China had no objective social ground for the existence of the CPC, that the latter was nothing but an artificial creation of external forces.

Close attention should be paid to the author's analysis of the problem of ideological, educational and organisational work in the Communist Party. The immaturity of the revolutionary movement in a socially and economically underdeveloped country with age-long traditions of absolutism led, already in the initial period of development of the CPC, to various violations by some leaders of the principles of democratic centralism and of ideological and theoretical education of Party members. These violations were especially manifest in the activities of Ren Zhuoxuan (alias Rafail, Ye Qing), an active CPC functionary of the 1920s who later became known as a "theoretician" of Chinese Trotskyism. The theoretical ideas of Ren Zhuoxuan and his followers, as well as their practical policy which came to be known in CPC history as "Rafailism", are subjected in the monograph to thorough examination. For the first time in Soviet Sinology the social and ideological roots of "Rafailism" have been laid bare. The book makes very interesting, fresh and novel comparisons between the views of the first supporters of communism in China and those of Bakunists, Nechayevites and supporters of Rabocheye Delo in Russia (pp. 53-57).

The author subjects to convincing criticism the position of supporters of the nationalistic tendency in questions of ideological and theoretical education and party construction during the 1920s and 1940s.

Providing a wide historical backdrop, the book shows that as the CPC could not organise a broad enough Marxist education during the 1920s-1940s for its members (although on the whole the Party attached considerable importance to educational work), of great significance in this respect was the international assistance given to the CPC by the Comintern, the Soviet Com-

munist Party and the Soviet State. It was the Comintern that organised in the Soviet Union a network of international educational establishments in many of which Chinese revolutionaries were engaged in intensive studies. The monograph devotes many pages to the methods, forms and effectiveness of these studies. It was the allround assistance by the Communist International, the Soviet Communist Party and the Soviet State, in the education of Chinese Marxists, points out the author, that "to a great measure" stimulated "the formation of a Marxist-Leninist trend within the CPC" (p. 56).

At the same time, the changes in the social make-up of the CPC during the late 1920s-1940s substantially compounded and expanded the problems connected with organisation of effective ideological and educational work, aggravated the organisational aspects. In these conditions two interconnected tendencies—centralism, and decentralism or free group activity, both of which had roots in China's pre-revolutionary socio-economic backwardness—were becoming stronger within the party. As a result, notwithstanding the great assistance from the Comintern and the Soviet Communist Party (Bolsheviks) aimed at instilling Bolshevik norms in the CPC and turning it into one of the most powerful detachments of the world communist movement, the CPC in those years acquired, in the words of the author, some features of a traditional eastern organisation characterised by a peasant-pauper composition, strong group and parochial ties, based on the principle of absolute authority of the central leadership (p. 63). Of course, the diverse links of the Party with the masses, especially peasants, remained sufficiently strong; the CPC maintained its fighting capacity, remaining the vanguard of the Chinese revolutionary movement. However, the complexity and contradictions of its organisational development opened possibilities for various non-Marxist trends within it to strengthen their positions. It stands to reason, therefore, that without assistance from the international communist movement the Communist Party of China could not have been able to consolidate its victory in the 1949 revolution and build the basis of socialism.

Of no less interest is Chapter III of the monograph whose rich material shows how hard and mixed was the process of dissemination and assimilation of Marxist-Leninist ideas in China. A. Pantsov thoroughly

examines the factors that helped and hampered that process, taking note of the fact that the revolutionary movement in China was influenced by sundry non-Marxist ideological trends—Trotskyism, M. N. Roy's leftist-adventurist views, anarchism, etc. He also notes that at grassroot level many supporters of communism in China felt the impact of traditional—Confucian and other—views, ethics, etc. A. Pantsov points out that the process of national consolidation started in semi-colonial China spurred a tremendous growth of nationalistic feelings which "swept" the intelligentsia, and had a negative effect on the "maturing of class sentiments of other strata of Chinese society that began to manifest political activity, notably the proletariat and the peasantry" (p. 88) and, consequently, on the world outlook of some CPC leaders.

The author deserves credit for his analysis of Chinese translations of documents of the 2nd Congress of the Comintern on national and colonial questions. Comparing these translations with the originals, with versions of "The Theses on the National and Colonial Questions" and "Additional Theses" in Russian, English, German and French, A. Pantsov shows concrete deviations of the Chinese texts from the originals. By this method he substantiates an important point that the process of disseminating Leninist ideas in China proceeded in a most contradictory way.

From his analysis the author draws a number of conclusions. The contradictions in the development of the CPC, due to the impact of the social milieu, helped bring about a specific situation in the Party. There existed objective conditions in it for the emergence of trends different in their class, ideological and political complexions, but, at the same time, the participants in the

communist movement and their fellow-travelers were not always able to part company for good. All this created a situation wherein, as A. Pantsov notes, disagreements that lacked sufficient substance for ideological and political systematisation existed mainly as tendencies, coming to the fore during specifically acute political, social and ideological crises in the country (pp. 89-90). In this connection the international assistance given to the cause of revolution by the Party of Lenin, the USSR and the Comintern was of special significance.

Some points in the work, however, need, in this reviewer's opinion, more extensive substantiation and writing up. More attention should have been devoted to the problem of semi-colonial Chinese society as socio-economic ground for widespread nationalistic feelings, especially in a politically active environment. The work would have benefited from a more thorough analysis of the influence of the long armed struggle on the CPC and the world outlook of its members. The author gives a rather cursory description of the CPC situation during the civil war of 1946-1949, although this period provides a lot of valuable material to explore the problem of the "clash" of social moods and interests of the peasants, first of all the paupers of the village that fed the ideology of some responsible CPC figures, with the social sentiments and interests of the industrial proletariat.

These remarks notwithstanding, the monograph is on the whole of great scientific significance. A. Pantsov's conception enriches our perceptions of the ways and peculiarities of the revolutionary movement in socially and economically underdeveloped countries.

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BOOK ON CHINESE PEASANTRY IN LATE 19TH-EARLY 20TH CENTURIES

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[Review by A.S. Kostyayeva, candidate of historical sciences, of book "Derevnya i krestyanstvo v sotsialno-politicheskoy sisteme Kitaya (vtoraya polovina XIX-nachalo XX v.)" [The Countryside and the Peasantry in China's Sociopolitical System (Second Half of the 19th Century and the Beginning of the 20th)] by N.I. Tyapkina, Nauka, Glavnaya redaktsiya vostochnoy literatury, Moscow, 1984, 223 pages]

[Text] In recent years there has been an increasingly perceptible tendency in Soviet Sinology to concentrate less on the description of various phenomena than on an analysis of their causes and the nature of their functioning. Chinese history is being examined more and more from the standpoint of the combined effect of many factors--economic, sociopolitical, ideological, cultural, and sociopsychological.

The need for precisely this kind of comprehensive approach to the analysis of the living fabric of history is not only realized by today's researchers but is also serving as a guiding principle. In this context, N.I. Tyapkina's recently published monograph, "Derevnya i krestyanstvo v sotsialno-politicheskoy sisteme Kitaya (vtoraya polovina XIX-nachalo XX veka)," is of considerable interest. In this work the countryside and the peasantry are portrayed as an element of the unified sociopolitical and economic structure of post-Qing China, an element which changed, and this is extremely important, under the influence of changes in other elements and the system as a whole.

Using this approach, the author has been able to portray the Chinese peasant's place in the complex of diverse relationships on the level of the state and the level of the rural community.

This study by N.I. Tyapkina is directly connected with the studies of mass peasant movements during the period in question and in subsequent decades, right up to 1949. Although the book deals with the broader range of issues connected with China's social structure on the eve of the Xinhai revolution, we are primarily interested in an understanding and explanation of the distinctive features of the peasant movements.

Soviet historians have already done much in this field of research. The current opinion is that, at the dawn of the modern age, the Chinese peasantry was less opposed to the exploitation of tenant farmers by landowners than to the arbitrary actions of the administrative structure (the unlawful and extortionist behavior of government functionaries); it made no demands for land and did not initiate agrarian changes. The main causes of this feature of the peasant movements have been discussed in general terms in historical literature.

The principal cause, in the opinion of researchers, was the main contradiction in the modern and contemporary Chinese rural community. This contradiction was part of the system of the peasant's relations with the state, and not with landowners.<sup>1</sup> It was this system that underwent the most pronounced devastation in the post-Qing era and became "unfit," a condition reflected in the unprecedented rise of taxes on the eve of the Xinhai revolution and in the destruction of traditional regulators of tax exploitation.<sup>2</sup>

This work by N.I. Tyapkina contains a detailed analysis of the "peasant-state" system, and in all of its dynamism rather than in static terms. The author describes the beginnings of the process of its transformation as a result of dynastic and structural crises. All of this helps to reveal the deep-seated, largely inherent causes of the mainstream of social discontent and spontaneous protests by the peasantry.

For this reason, the author's detailed discussion of the main social and political institutions of the Qing empire is extremely important and necessary. The author quite accurately, in our opinion, proceeds from the assumption that the sociopolitical organization of the Chinese rural community was an integral part of the Chinese class-bureaucratic structure, explains how the state managed the country from the top to the bottom, and refutes the fairly common opinion in world literature with regard to the so-called autonomy of the rural community, its "independence" of the central authorities, and its self-administration. A detailed description of the workings of the fiscal ("lijia"), police ("baojia"), and social ("she," "xiang") systems of control proves that the power of central authorities did not "come to an end" at the district level, but did extend to the rural community.

The Chinese peasant was part of a system of diverse relationships, primarily with the state. These relationships had varying effects on his economic, social, and political status.

N.I. Tyapkina begins with a discussion of the peasant's place in the class system of Qing China. We must agree with the author's views on the class-bureaucratic nature of the traditional Chinese society, on the class system as a structure-forming element of the social organization of this society (p 33), which effectively secured the political and socioeconomic interests of the dominant class (p 54), and on the role of class membership in the individual's life.

We will not question the validity of N.I. Tyapkina's description of the class system as a whole and of individual classes and subclasses. We will simply

say that the author rejects, without any serious grounds, the traditional division of the population of the Chinese empire into four categories ("shi," "nong," "shang," and "gong") and proposes her own system of five classes: "aristocracy," "nobility," "shenshi," "common people," and "lower class" (p 50). The criteria for this kind of division do not seem clear to us. On the one hand, N.I. Tyapkina regards the degree of privilege in society as the main principle of the class system (three privileged and two underprivileged classes), as well as the individual's legal status in the hierarchical system. Furthermore, she notes the absence of strict class barriers and the institution of inherited class membership. On the other hand, she underscores the importance of the professional principle in the class system, but the categorization of farmers, "nong," and merchants, "shang," as common people would seem to refute this thesis, especially since the occupation of farming was always considered to be "higher" than the occupation of merchant in China. The categorization of "nobles" and "aristocrats" as separate classes also seems dubious, because they are more likely to be subclasses. In general, it seems to us that the question of the class structure is still open.

We are primarily interested in the description of the class to which the Chinese peasantry belonged. The author calls it either the middle class (this term, reflecting early bourgeois relations, is too Western) (p 38) or the common people (p 50). Sometimes the author also uses the traditional Chinese term "nong" (farmers).

Two characteristics of this class--the lack of privilege and the presence of different strata, including antagonistic ones (tenant farmers and some landowners), within the class--had certain implications. Above all, and this is demonstrated well in the work, the peasant's social status, in spite of the complexity of the class and intraclass hierarchy, made him completely dependent on the state and gave him little protection against the arbitrary behavior of bureaucrats, which meant that much of the peasant's product was confiscated. In addition, the fact that some landowners belonged to the same class as peasants eliminated some of the social distinctions between landowners and tenant farmers (p 40), and the status of the latter gave them some legal protection against arbitrary actions by landowners (p 43). Under these circumstances, the state had to pass special laws to protect the interests of landowners, giving them advantages in the negotiation of agreements with tenant farmers, securing the payment of rents in full by penalizing defaulters, etc.

These two peculiarities, it seems to us, explain why the Chinese peasantry was less opposed to the owner of the land than to the bureaucratic state.

Another feature of the state's administration of the rural community was also important. The Chinese peasant's inclusion in the system of economic, political, and social control has already been mentioned. This system, as the book demonstrates, was distinguished by its many different branches--"baojia," "lijia," "she," and "xianyue." Unfortunately, the author concentrates mainly on a detailed description of each element and says little about their interaction, interdependence, and hierarchy. It is a fact that the features of the entire system of rural administration are more important for an understanding of the peasantry's motives.

One of these features consisted in fiscal procedures: The central government regulated only the revenues earmarked directly for the treasury. Most of the taxes collected stayed in the community and a large part of this sum was used to maintain the local bureaucracy. This gave rise to various "authorized" and "unauthorized" abuses in the distribution of the tax burden, especially in the form of additional collections from the rural population and directly in the levying of taxes. The Chinese peasant, with his low social status, was virtually powerless to object to these practices.

Another feature of rural administration, as the author demonstrates, was the presence of two subsystems--state control and the economic-organizational, mediating functions of non-military shenshi and other rural leaders. It is interesting that members of the rural ruling elite were part of both systems. Agents of state control, on the one hand, represented the central government locally, even if they were not bureaucrats, and, on the other, were representatives of the rural population because they were either appointed or elected from among the leaders of rural communities. Along with the shenshi they represented something like a buffer between government officials and the population and performed the functions of social control in relations with central authorities. To some extent, this was the rural community's "own" government, the "just" and "honest" representatives of which could make use of their higher status to protect the rural population from the arbitrary actions of urban bureaucrats. Besides this, the non-military shenshi engaged in economic-organizational, educational and other social activities on the local level and headed clans--in short, they were recognized leaders of the community.

This also reduced conflicts between tenant farmers and landowners and between common peasants and the rural elite by moving them into the "background." Along with the shenshi and the leaders of rural communities, the peasants were able to resist the pressure exerted by the machinery of state, especially economic pressure (various collections and additional taxes which were instituted by local authorities but were not recorded in legislation). In our opinion, this was another factor determining the main thrust of the peasant movements.

For a long time Soviet historians did not pay enough attention to the role of communal and clan ties in the life of the Chinese peasant. There was the opinion that there were no longer any communes in China at that time. N.I. Tyapkina has performed an indisputable service by stating the existence of intracommunity (or intracommune, as the author calls them) cooperatives, discussing the importance of ties of kinship, and thoroughly analyzing their structure and their workings. The information in the book about the economic and social functions of the rural communes and clans indicates the reasons for the preservation of the latter and attests to the definite interest of the rural population, including peasants, in these institutions. Unfortunately, the author does not discuss certain matters we feel are important, such as the correlation and hierarchy of communal and clan functions: the functions that were the prerogative of only the commune, those that were the exclusive functions of the clan, and those that were performed by both. Judging by the information in the book, many functions were performed by both--for example,

the organization of schools, arbitration, harvest protection, etc. This gives rise to a question which is not answered in the book: What was more important to the peasant in his daily life and during extraordinary periods (bad harvests, droughts, rebellions, etc.)--his membership in the rural community or in the clan?

The author's description of cooperation within the commune and the clan is far from idealized. She reveals the rigid social and economic hierarchy in the structure of these organizations, which allowed the rural elite and the leaders of clans to exploit commune members and relatives mercilessly. Besides this, clan ties, the author stresses, also influenced the nature of land ownership. Through various restrictions and regulations (the preferential right of family members to buy land, the order of inheritance, etc.), the owner of the land was partially "bound" by these ties, and this, according to N.I. Tyapkina, tended to stabilize land ownership and immobilize the rural population (p 62).

This might be why the author says too little about the role of the clan, however negligible and even illusory it might have been, in the social protection of the rural population against the arbitrary actions of authorities and the mercenary behavior of bureaucrats. This role, it seems to us, was more likely to have a psychological effect on the peasants than to produce tangible results. The disenfranchised Chinese peasant felt that he was a member of a specific group that could help him in times of difficulty and protect him. By virtue of the traditional Confucian standards of morality and behavior, he could appeal to the "sense of justice" and family feelings of the landowner (a member of the same clan) and expect some indulgence.

This is one of the reasons why peasants tried to preserve patriarchal relations and to restore severed traditional bonds at times of sociopolitical crisis and instability, and this was reflected in the demands of the peasant movements of the first quarter of the 20th century.

In general, by revealing the main features of the sociopolitical organization of the Chinese countryside, stemming from the social structure of Qing China, N.I. Tyapkina defines the role and place of the Chinese peasant in the society and the state and his actual status, which does much to explain his behavior during periods of the exacerbation of socioeconomic and political conflicts.

#### FOOTNOTES

1. A.V. Meliksetov, "The Nature of Social Conflicts in Contemporary Chinese History," in "Second Scientific Conference on Contemporary Chinese History. Report Theses," Moscow, 1977, pp 122, 123.
2. A.S. Mugruzin, "On the Role of State Taxes and Rents in the Exploitation of the Peasantry in China in the 19th and 20th Centuries," in "Eleventh Scientific Conference on 'The Society and the State in China.' Reports and Theses," pt III, Moscow, 1980, pp 91, 95-96.

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## BOOK ON LANDMARKS IN PRESENT-DAY JAPANESE POLITICS REVIEWED

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 169-171

[Review by A.A. Makarov, candidate of historical sciences, of book "Landmarks in Japanese Politics. The History of the 40 Postwar Years" by E. Shindo, Y. Yamaguchi, M. Muramatsu, and I. Miyake, Tokyo, Yuhikaku, 1985, 348 pages]

The last two or three years have seen quite a number of works brought out in Japan, in which attempts were made to sum up the results of the country's postwar development, single out its landmarks and define tendencies for the future. This is not fortuitous as Japanese society's evolution has apparently entered a new stage due to the current level of scientific and technological revolution, making substantial changes in the country's socio-economic life. Another reason why such works continue appearing is the policy of "summing up finally the results of postwar politics", declared and much publicised by the Yasuhiro Nakasone government after it took power late in 1982.

The joint work by Japanese political scientists under review is an attempt to give an allround picture of Japan's present-day home and foreign policies. The book is in the form of a reader.

According to the authors, their aim is to offer "material to all interested people to reappraise Japanese politics" in the postwar period and "offer a picture of the development of research and discussions" on major issues of Japan's current politics (p. 11).

The first section called "Japan in the System of International Relations" (by E. Shindo, Assistant Professor of Tsukuba University) considers the history of Japanese diplomacy in the period between the country's defeat in World War II and the early 1980s. In the author's opinion, the period was marked by purposeful activities aimed at ensuring Japan its "proper" place in the world. Shindo describes the postwar settlement of Japan's international situation, Japanese-Soviet and Japanese-Chinese relations, and the complex of relations between Japan and the United States, as the key problems of that period.

The main part of the book deals, however, with home policy issue dealt with in the next three sections in which the authors consider Japan's postwar home policies. Professor

Yamaguchi of the Osaka Municipal University singles out such milestones in those policies as the reforms carried out in the period of the country's occupation by the US (1945-1951), the development and transformation of the "1955 system" (in 1955 several conservative parties and organisations merged to establish the ruling Liberal Democratic Party—A. M.), and the period of the "accelerated rates of economic growth", which continued since the late 1950s till the early 1970s.

Yamaguchi examines the radical transformation of the Japanese "ruling elite's" structure, which took place along with broad transformations in the political, economic, social, cultural and other spheres. The establishment of the principles of "justice" in the state government system, the emperor's denial of real power (the establishment of the so-called "symbolic monarchy"), the removal of the military and the old aristocracy from power, and the disbandment of the *zaibatsu* military concerns radically changed the country's political life (pp. 63-64). At the same time, Yamaguchi emphasises that, despite substantial personal changes in the country's leadership, part of it, namely, the governmental bureaucracy (except bureaucrats of military departments and the Ministry of Internal Affairs liquidated after the war), remained practically intact in the postwar purges (p. 71). This applies above all to the "economic bureaucracy", which not only retained its position but also consolidated it.

The authors offer an interesting analysis of the intra-party structure of the ruling Liberal Democratic Party of Japan (LDP), in power since late 1955. Analysing the LDP's factional system, they stick to the concept widely popular in Japan and abroad, that the ruling party's factions are formed on the "clientele" principle rather than an ideological one, as is the case in the Socialist Party of Japan. The "clientele" principle presupposes the existence of strong personal "patron-vassal" ties inside the factions, which are closely united due to the joint participation in the distribution, by seniority, of posts in the party and government leadership, and of subsidies by the business quarters (pp. 103-108).<sup>1</sup>

Considering the postwar evolution of Japan's party system as a whole and its main direction, Yamaguchi sticks to the concept of the transition from the "one-and-a-half" system to the "one strong, four weak"

system. The point at issue is the appearance in the early 1980s of a tendency towards the LDP's domination over the parliamentary opposition. The tendency contrasted with the situation that had existed before the late 1970s when there was nearly full balance of power between the Conservatives and the opposition and when the LDP's main political opponent was the Socialist Party of Japan, which could not, however, displace the Liberal Democrats all by itself (pp. 117-124).

The authors conduct their research on the basis of concepts, much popular in the West, of D. Easton, a prominent US political scientist and one of the authors of the so-called systems analysis school. Setting forth the concepts, the authors concentrate on the fact that, according to Easton, the political process is characterised by interaction between the political system (its main structural elements being the "political community", "political regime", and finally "government" or "power") and the environment in the "entrance—exit" form (p. 59). The former is carried out by making "demands" of the political system or "supporting" it, while the latter is carried out through adopting authoritative decisions. "Entrance—exit" ties take place also during communication between the political system's structural elements (p. 61).

The Easton theory's special features include the explanation of political phenomena on the basis of a formal and largely mechanistic interpretation of the directive distribution of values, rather than by socially and economically stipulated interests and goals of specific social groups taking part in the real political process. The strongly pronounced anti-historism is manifest in the works under review, too. The phenomena described in them are devoid of any class nature.

Muramatsu cites numerous, above all US concepts of the role of Parliament, the LDP, and the government bureaucracy in the country's political life (pp. 180-209). He combines them into the theory of "the merging of two major elite groups", the top echelon of the ruling party and highly placed bureaucracy, which dominate the political process (p. 211).

In our view, the chapter called "Groups of Interest" (pp. 212-233), considering the origin of Japanese "pressure groups" in the postwar period—employers' agrarian organisations, workers' unions, various profes-

sional organisations, etc.—is especially topical.

Unlike the lobbyism system active in the West, Japanese "pressure groups" are formed mostly of people living in one and the same area or working at one enterprise, rather than of any people wishing to participate in them but working in different spheres. In this connection Muramatsu describes lobbyist organisations "Japanese style" as "outdated" and "underdeveloped". As a rule, Japanese political parties have no reliable sources of funds of their own. This is why the "pressure groups" play a very important role in subsidising political activities in Japan (above all this applies to Japan's ruling party—A. M.).

Members of the Japanese parliament, just as British MPs, perform the role of agents representing lobby interests in the country's highest legislative body. At the same time, activities of the "pressure groups" are aimed largely at the government bureaucratic apparatus, rather than Parliament, as the latter plays a minor role in the real political process (p. 215).

The last thesis is expressed in a condensed form in a table (p. 218) which sums up the analysis. The table shows that employers' organisations, the most influential "pressure groups", prefer to influence the executive power apparatus, whereas workers' organisations lobby political parties (the Socialist Party of Japan and the Democratic Socialist Party, a right-wing reformist and social democratic organisation—A. M.).

One can by no means agree with the estimation of the opposition's role in Japan's postwar political life given in the book. According to it, the opposition only carries out the so-called "ideological process" countering the political process proper. The former is ascribed to the Socialist and Communist Parties, left-wing trade unions such as the All-Japan Teachers' Union, while the latter is ascribed to the conservative LDP, the governmental bureaucracy, and employers' and agrarian organisations (p. 174). The authors claim that the LDP's long undivided rule in Japan has resulted in a political regime which practically allows no outsiders. The opposition can only "exert indirect influence on it by criticising the system of values underlying the policy-making process" (p. 175).

This playing down of the role of opposition forces which allegedly "have no possibility of exerting direct influence on policy-making", is a perfectly clear distortion of



contemporary realities in Japan. The opposition's activity in Parliament and beyond it, the large scope of the working-class, democratic, anti-war and anti-nuclear movements which prevent monopolies' undivided sway and make the country's ruling circles to constantly fall back on the tactics of social manoeuvring, are a major factor in the country's political development. Japan's postwar history has shown that the opposition's parliamentary activity, including the open obstruction of governmental programs and public pressure, at times have considerable influence on the law-making process in the country.

The growth of the role of the opposition political parties which resulted in a highly unstable LDP majority in Parliament in the 1970s, often thwarted plans of the more reactionary conservatives for an anti-democratic revision of the country's Constitution. Active protests by the democratic public at large also blocked plans of the ruling top echelons to pass other reactionary bills. Specifically, the LDP leadership has to this day been unable to pass a reactionary draft "emergency law", nurtured by it since the late 1970s. In the mid-1980s, the opposition

foiled attempts to secure parliamentary approval of the transparently anti-democratic draft "law on political parties" and draft "law on state secrets".

- Despite the fact that the book's general tone is apologetic and it is a clear compilation work, *The Landmarks in Japanese Politics* cannot be denied a number of indubitable merits. The work's main value is that it offers in sufficiently full measure major modern non-Marxist concepts of Japan's postwar political development, which are popular both in the country and beyond. The book generalises facts which are often unattainable for Soviet researchers. The numerous statistics and sociological polls on various political issues which allow one to trace the socio-political transformations in the postwar period and change in Japanese people's social awareness, are of much interest.

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<sup>1</sup> This concept is adhered to specifically by Ts. Watanabe, a wellknown expert, and N. Ike, a Japanese-born American political scientist whose works are cited in the book under review.

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BOOK ASSESSES JAPANESE WORKERS' MANAGEMENT 'PARTICIPATION'

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 171-174

[Review by V.B. Ramzes, doctor of economic sciences, of book "Yaponiya: 'uchastiye' trudyashchikhsya v upravlenii proizvodstvom. Mify i deystvitelnost" [Japan: "Participation" by Labor in Management of Production. Myths and Reality] by A.B. Orfenov, Moscow, Nauka, 1985, 170 pages]

ambitions of the almighty business. inhibited as it is within state control, the waves of this reform have reached the sphere of company management.

The institution of austerity measures on the basis of rationalisation from "top to bottom" and intensive use of high technology gave special cogency to various forms of personnel control, which is known to embrace the whole gamut of relations between labour and capital. In the past administration of Japanese companies paid special attention to this aspect of management as well, rightly believing that without constant, persistent and many-sided stimulation of the human factor no serious success can be achieved in raising labour productivity, efficiency of production and marketing.

The neo-conservative onslaught in economic theory and practice that swept the capitalist world in the late 1970s and early 1980s also reached Japan, where it manifested itself in an administrative-financial reform, a series of political measures designed to weaken the regulatory functions of the state and give more socio-economic leeway to private enterprise. Generated by altered conditions of reproduction as well as by

In present-day conditions, when state-monopoly capital is out to deprive the working people of their postwar gains, the search for methods of raising labour productivity is accompanied by an unprecedented fervour. Hence the topicality of the problem of the

proletariat's "participation" in management, examined in Orfenov's book.

The author builds his analysis on a comparison of the pertinent views and concepts by scholars, entrepreneurs and trade-unionists, on programme and political documents, as well as factual materials describing concrete versions of inclusion of hired personnel in the process of management at different levels of the economic structure. This line running through the whole work looks even more attractive because it also involves the West-European scene and makes it possible to perceive the ideological, political as well as readily changeable (in the eyes of the partners) socio-economic duality of "participation".

Indeed, in a revolutionary, or close-to-revolutionary situation, the "participation" can acquire the form of workers' control over the activities of capitalists. The principles of such control, once formulated by Lenin, which provide workers with a qualified majority "in all crucial institutions" and eradicate commercial secrets or similar measures, were successfully translated into reality in Russia in 1917.

Even after the defeat of Japanese imperialism in the Second World War "the working people", Orfenov points out, "forced the bourgeoisie to create at some enterprises permanent managing bodies, the so-called production consultative councils. These councils consisted of equal numbers of representatives of the administration and the trade union; their decisions had the strength of directives and embraced all activities of the given enterprise... It was a pretty effective institution whereby the working people could, from the positions of class struggle, substantially influence management policies in their own interests" (p. 33).

However, under certain conditions the "participation" takes an absolutely different form. More often than not the bourgeoisie, availing itself of spells of stability in the economy, disagreements in the progressive camp, the lack of initiative among trade-union leadership and even peculiarities of national psychology, successfully relegates the "participation" to a mere symbolism, to a simple means of making higher profits and further integrating the proletariat into the system of state-monopoly capitalism. The situation is compounded by the existence of many intermediate categories of "participation" which fill in the space between the two poles and are so motley that any con-

clusions about their true nature cannot claim even relative accuracy.

In one way or the other, when free from direct threat to the existence of the private capital, the basic contradiction of the institute of "participation", as the author rightly notes, boils down to "involving the exploited class in the management of the social processes of production whose capitalist nature is alien to it and objectively contradicts its interests!" (p. 12). Although the social objectives of the sides that take part in the symbiotic entity of "participation" are diametrically opposed, they, whether they want it or not, have to cooperate, supporting the daily routine of the production-marketing mechanism.

Apparently it is this forced cooperation that is the main cause of disagreements in the left-wing political circles of Japan over the question of "participation" as a whole. On the contrary, the bulk of the Japanese bourgeoisie in both big and small business have managed to reach a consensus on this matter (nuances revealed by some only breed the illusion of pluralism of views).

Orfenov comes to a justified conclusion that this "layout" is nothing but the result of a long-held initiative of the conservatives in such an important sphere of relations between labour and capital. How did it become possible? The book offers quite a few interesting ideas on this score.

Of no small significance, for example, was the fear of the bourgeoisie caused by the actual establishment of workers' control during the first postwar years. This made the bourgeoisie speedily mobilise its forces and even go further than simply ban the production consultative councils: it introduced the system of "human relations" and the system of "mutual consultations" with workers.

The initial results of applying these systems clearly showed the desire of the bourgeoisie to pay off the proletariat with petty concessions and simultaneously disarm it ideologically and organisationally.

"The relative weakness of Japan's working class," Orfenov points out, "often makes progressive organisations doubt their own strength and view sceptically the ability of the working people to increase their influence on the management of the national economy. The situation is compounded by the fact that the goal-oriented bourgeois and social-reformist speculations concerning the "participation" of workers in the management of

production, as well as the active role of private capital in this sphere, make even true representatives of the working class more cautious about the problem of "participation" (p. 77).

There is yet another reason for the long-lasting leadership of the bourgeoisie in "sharing the burden of management" with hired personnel. And it seems to be a decisive reason. What is meant here is prevalence at Japanese enterprises of the system of "life-long hire", i. e. keeping the employment of a hired worker all along until retirement date, as well as "payment in accordance with seniority", that is, in accordance with discontinuous service record.

The author of the book examines this system in detail. He shows convincingly the influence on hired workers of behavioural patterns inherent in clannish families, when these patterns are applied to industrial enterprises. He demonstrates the coexistence within the traditional system of hired workers' corporal loyalty and competition between separate groups ("permanent", "part-time", "daily", "free-lance") and with workers of other enterprises, which in the final count only strengthens the ties between the company high who act as caring "parents", and the company low who are supposed to behave like good "children".

This adds weight to the author's conclusion regarding the socio-economic essence of the traditional system of relations between labour and capital in Japan. "...It was and still is in agreement with the basic political interests of the bourgeoisie because it creates certain material and ideological conditions in order to present to the workers relations between labour and capital in an inverted, inadequate form, in order to make workers believe that "their" entrepreneur is not a social antipode but a "benefactor" who cares for the wellbeing of "his" workers and employees... Consequently, it is allegedly in the interests of the workers not to fight against "their" boss... On the contrary, ... they must do their utmost for the benefit of their "enterprise-family" which is supposed to be synonymous with their own wellbeing. As for their social adversaries, they are the workers of other companies. True, one can hardly invent a more devious method of weakening the class struggle of the proletariat, both political and economic, a sly means of labour motivation, a powerful lever of splitting the working people" (pp. 99-100).

Given such a thorough analysis of the system of "life-long hire" and "payment in accordance with seniority", it looks strange that Orfenov does not show a direct connection between this traditional system and the modern system of "participation". What's more, in certain passages the reader comes across points which can be interpreted as an indication that the author almost views the two systems as quite different phenomena of social life.

Thus, the comprehensive analysis of the decline of the economic (but not at all political!) significance of the "life-long hire" system and "payment in accordance with seniority" which began in the 1970s (in view of the coming epoch of moderate rates of economic development, the doubling of the number of unemployed, the falling percentage of employed youth, and the general aging of Japan's population) is accompanied by remarks on the appearance among the bourgeoisie of motives to seek "either non-traditional methods of preserving paternalism, or its worthy substitutes"; remarks about an active search for and introduction of "new elements of the general system of relations between labour and capital, non-typical for Japan previously"... (pp. 37, 115).

But the traditional system of these mutual interrelations is not only strikingly similar to the system of "participation". In a sense it is identical with it (it would be no exaggeration to say that the former provides ideal feeding ground for the latter) and applies for a long time the licensed methods of "participation", having incorporated them in its unique fabric. Therefore, the "novelty" for Japan of the system of "participation" is rather relative.

The author himself proves this in Chapter 3, which sheds light on the modern Japanese practice of "participation" in management. No matter at what level of the economic structure Orfenov unfolds his studies, the in-depth essence of the revealed picture turns out to be predominantly the same. At each point he makes it ever clearer that Japan got acquainted with methods classified as signs of "participation" of the working people in the management of capitalist production back in the period of "superhigh" rates of growth of the GNP, i. e. under a complete hegemony of the traditional system of personnel management, and that these methods have successfully been integrated by the latter.

However, the author's underestimation of

the genetic kinship of the traditional Japanese system of interrelations between labour and capital, and the "modern" forms of workers' "participation" in the management of production, does not belittle the importance of the research results. It follows from the book that only at the lowest level—that is, directly in the production process—do the working people really have the possibility to dictate their will as regards the technological organisation of work in those sections which, as a rule, are the responsibility of a medium-size brigade. These possibilities, however, are reduced dramatically and emasculated as higher levels (enterprise, company, branch of industry, national economy) are reached where "participation" today looks, strictly speaking, an empty formality, a non-consequential presence of trade-union figures at various sessions.

In this connection Orfenov ought to have answered an acutely polemical question: how should the progressive forces of Japan react to this kind of "participation"? I think the author was correct in showing that however firm the positions of capitalists in this sphere

might be, it deserves efforts aimed at winning ground, at a radical change in the correlation of forces, at foisting the working people's rules of the game on the class enemy.

The book emphasises that "the existing [in Japan.—V. R.] socio-economic situation demands that the country's progressives reconsider their sceptical attitude to the 'participation in management' and turn the latter into an active form of class struggle for the interests of the working people. Life itself dictates the need to do this already today in conditions of the existing capitalist reality with the aim of using all forms of resistance to the monopolies' onslaught on the living standards and democratic rights of the working people" (p. 162).

The author's conclusion to this effect provides a fitting ending to the monograph under discussion. Its rich contents and creative nature will, undoubtedly, draw wide readership.

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'JAPAN 1985' YEARBOOK PUBLISHED IN MOSCOW

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[Review by Yu.Ye. Bugayev of book "Yaponiya 1985. Yezhegodnik" [Japan 1985. Yearbook], Moscow, Nauka, Glavnaya redaktsiya vostochnoy literatury, 1986, 336 pages, illustrated]

[Text] According to its organizers, the Japanese trade and industrial exhibit held in Moscow in October 1986 with the motto "Science, Technical Equipment, Technology--The Future of Mankind" was supposed to expand Japanese-Soviet trade and acquaint Soviet visitors with the country, its nature, its economy, and its culture. Japan has much to exhibit, and it is absolutely true that some visitors were charmed by the unique "cocktail" of the slides of beautiful landscapes, the delicate notes of the music played on superlative sound systems, the interior of the "home of the future," the glistening automobiles, etc. Japan has all of this, and it also has many other things which were not in evidence at the exhibit for completely understandable reasons--increasingly crowded and polluted cities and, as a result, a rising crime rate among young adults and even children, the intensification of labor, discrimination against women, a high rate of unemployment, and the stagnation of consumer demand due to the slow rise of public income.

A fleeting superficial glance, however, is not enough to constitute a correct and objective view of an object or phenomenon, not to mention an entire country. A country, especially one as contradictory as Japan, must be studied. There is no question that the "Japan 85" yearbook, the 14th edition, will contribute to an understanding of current processes in the Japanese society and to a fairly broad view of the life of our Far Eastern neighbor.

This publication will acquaint the reader with the latest results of research by Soviet Orientalists into a broad range of economic, political, social, cultural, and scientific problems in the "1984 model" of Japan (some surveys and articles also mention developments in 1985). The overall situation in the country is discussed in the first three surveys (economic, by P.D. Dolgorukov, domestic political, by A.I. Ivanov, and foreign policy, by V.N. Arsenyev).

In 1984 the Japanese economy entered the phase of cyclical upswing after 3 years of stagnation and sluggish recovery. The real increase in the GNP

exceeded 5 percent for the first time since 1979 and reached 5.8 percent. This increase was mainly due to more pronounced foreign trade expansion and the intensive accumulation of fixed capital. Exports still played the most active role, and their growth (15.5 percent) far surpassed the expansion of domestic investment and consumer demand (11.1 percent and 2.7 percent respectively) and the growth of the industrial product (11.1 percent) (p 6).

The Japanese economy's colossal dependence on exports (these depend largely on the level of business activity in the United States) gave P.D. Dolgorukov good reason to describe the current phase of prosperity as "imbalanced," unstable and therefore vulnerable. In recent years the accumulation of a colossal positive balance of trade has given rise to severe conflicts with Japan's main trade partners.

The sluggish recovery of personal consumption (an increase of 3.4 percent in 1983 and of 2.7 percent in 1984) was an extremely important indicator of the instability of the 1984 phase of prosperity. The general upswing did not improve the financial status of most of the population. The unemployment problem became particularly acute in 1984. The army of "superfluous people" in Japan grew to 1.61 million people (1.56 million in 1983), or 2.7 percent of the national labor force. Even in the crisis year of 1980 the number of unemployed did not exceed 1.14 million and the rate of unemployment did not rise above 2 percent. If American or West European methods of keeping records were to be substituted for Japanese statistics (which are grossly understated), the official rate of unemployment in Japan would be from 2 to 2.5 times as high. According to labor union estimates, the number of unemployed in the country could be as high as 4.5-5 million.

"The present situation in the labor market in Japan," P.D. Dolgorukov writes, "refutes the dogmas of bourgeois theory that the corporate profits of today are the capital investments of tomorrow, guaranteeing new jobs in the future. Profits have climbed to record levels in recent years, but most investments are used for the kind of efficiency innovations that will put tens and hundreds of thousands of additional 'superfluous' people outside the gates of enterprises. The incorporation of new equipment and technology under the conditions of contemporary Japanese society could lead to the danger of mass layoffs in the near future" (p 14).

The Nakasone cabinet's program for the extensive privatization of the state sector also poses a serious threat to the vested interests and rights of the laboring public. The largest telephone and telegraph corporation and the state monopoly on tobacco and salt sales have been denationalized. Japan Airlines and the Nihon Kokutetsu railway corporation are next. Tens of thousands of workers and employees are now on the streets as a result of the "efficiency" of the new owners.

In the economic survey the reader will find a detailed analysis of the current state and future prospects of Japanese industry and of the measures taken by the government to reorganize and restore the "sectors affected by structural crisis." There is also a thorough examination of Japan's foreign economic relations, the commodity structure of exports and imports, and the geographic patterns of foreign trade. The discussion of domestic economic problems is

equally interesting. The author feels that the main problem is the mounting crisis of government finances, which forced the government to put a freeze on current expenditures (but not on defense--Yu.B.) for the fourth year in a row by instituting "austerity" budgets. Of course, the first allocations to be cut were funds for education, medical care, pensions, and housing construction, which had a direct effect on the public standard of living.

In 1984, the second year of the Nakasone government, domestic political affairs were marked by continued attacks on the vested interests of the laboring public and persistent attempts to eviscerate the democratic gains of the Japanese people, which were made possible by the defeat the militarist regime suffered in World War II. Efforts to carry out administrative and financial reform continued and consisted essentially in transferring state-controlled branches to the private sector, cutting funds for social undertakings while increasing budget allocations for the armed forces, and supporting big capital. "Military spending increased by 22.3 percent between 1982 and 1984, while budget allocations for education and social security increased by only 2 percent and 5.5 percent respectively, subsidies for small and medium-sized companies decreased by 8.2 percent, and expenditures on the development of farming, forestry, and the fishing trade decreased by 6.3 percent" (pp 29-30).

The more pronounced militarist tendencies in Tokyo's policy and the continued involvement of Japan in U.S. global strategy are being resisted by the broadest strata of the Japanese population. The peace movement is being led by communists and socialists and the democratic national organizations they head--labor, youth, cooperative, women's, and religious organizations.

Most of the Japanese public's peace demonstrations in 1984 were part of the struggle against the deployment of Tomahawk cruise missiles, nuclear weapon carriers, on American naval ships entering Japanese harbors. Although the effectiveness of the actions of antiwar forces was sometimes reduced by a lack of unity, differences of opinion did not interfere with the organization of an international conference on a ban on nuclear weapons, in Tokyo in summer 1984. The Tokyo declaration, adopted at the conference on 3 August 1984, stressed that mankind's most important objective is the prevention of nuclear war and a total ban on nuclear weapons.

There were major changes in Y. Nakasone's cabinet in 1984, and he had trouble retaining the position of party leader. The reorganization of the government, however, had no effect whatsoever on his domestic and foreign policy line. Japanese diplomatic efforts, just as in past years, were aimed at the realization of the Nakasone government's policy aims--the augmentation of Japan's political role in world affairs in line with its status as a major economic power. This was done, as usual, with an emphasis on closer cooperation with the United States, particularly in matters of military policy.

V.N. Arsenyev presents a detailed analysis of U.S.-Japanese strategic interaction and cooperation in the political and military spheres, of trade and economic conflicts, and of the efforts to "compensate" for these conflicts with "harmony" in other spheres of Japanese-American relations. He also



examines Japan's relations with the countries of Western Europe, the states of the Asian-Pacific region, the PRC, and the USSR. The last two areas of Tokyo's foreign policy warrant further discussion.

In recent years relations with the PRC have occupied a prominent place on the list of Japanese diplomatic priorities. In March 1984 Nakasone visited the PRC, and there were also visits by ministers, LDP officials, and members of the business community. Japan was visited by Vice Premier Li Peng of the PRC State Council and by several ministers. Japan and China reaffirmed their intention to supplement the "basic principles" of their relations ("peace and friendship, equality and mutual advantage, long-term stability") with another-- "mutual trust." A non-governmental "committee for Japanese-Chinese friendship in the 21st century" was established to promote the development of Japanese-Chinese relations (p 66).

In 1984 the volume of bilateral trade reached the record level of 13,172,000,000 dollars (p 67). China became Japan's third-largest export market and ranked sixth among its largest importers. The investment of Japanese capital in the Chinese economy continued and the number of mixed enterprises increased, although there were certain difficulties in their establishment.

The foreign policy survey ends with a brief analysis of Japanese-Soviet relations in 1984. They continued to be affected adversely by the "strict sanctions" against the Soviet Union that Tokyo had instituted in the beginning of the 1980's under pressure from Washington. Obviously unfriendly campaigns against the USSR in Japan also clouded the atmosphere by constantly bringing up the so-called "problem of the northern territories" and the myth of the "Soviet military threat." The reception and naval parade in Kagoshima in May 1984 in connection with the 50th anniversary of the death of Admiral Togo, the commander of the Japanese fleet in the battle of Tsushima in 1905, and the 80th anniversary of the "Japanese Navy's great victory in the war with Russia" was of a clearly hostile nature.

General Secretary of the CPSU Central Committee M.S. Gorbachev's talk with Japanese Prime Minister Y. Nakasone in Moscow on 14 March 1985 was important in the development of Soviet-Japanese relations. The USSR's willingness to develop mutually beneficial relations with Japan in various spheres and its desire for friendly relations between the two countries were underscored.

Soviet-Japanese exchanges on the parliamentary level were resumed in the second half of 1984. In October the fourth roundtable conference of representatives of the Japanese and Soviet public was held in Moscow, and there were lively contacts with political parties in Japan. All of this affected trade and economic relations. "The need for the development of Soviet-Japanese relations will necessitate the realization of their inherent potential and vigorous efforts to accomplish a transition to the construction of solid and stable relations for the good of the people of both countries," V.N. Arsenyev concluded. "The Soviet side has repeatedly expressed its willingness to honorably do its part for genuine friendship" (p 71).

The analytical articles in the yearbook cover an extremely broad range of topics. E.V. Molodyanova traces the campaign strategy and tactics of the JCP since the 1960's. The struggle of the working class and the organization of the labor movement in Japan are discussed in an article by S.V. Bunin. These and many other problems in Japanese society are discussed in Yu.D. Kuznetsov's article "The Sociopolitical Implications of Scientific and Technical Progress in Japan." The author examines the deep-seated changes in various spheres of physical production, in the economy, in the social structure of Japanese society, and in the alignment of class and political forces in the country.

Japan's place in today's world as it is seen by its leadership and as it actually is, the internal factors influencing Japanese policymaking in international affairs, and the conceptual basis of Japanese foreign policy activity are all discussed by S.I. Verbitskiy in the article "Japan: 'Globalism' Within the Framework of the Military Alliance with the United States."

"Japanese-South Korean Relations in the First Half of the 1980's: Convergence and New Problems," a work by N.P. Dmitriyevskaya, deals with a topic that has been given comparatively little attention by Soviet scholars of Japanese affairs.

The topics discussed in the yearbook are not confined to Japan's main economic and political problems. There are also studies of Japanese religious beliefs (G.Ye. Svetlov) and of crime in the country (O.A. Belyavskaya and T.A. Rassoshenko) and a survey of postwar literature, viewed, and this is particularly interesting, through the prism of Japanese criticism (N.I. Chegodar).

The broad range of topics, the attention paid to current events, and the variety of statistics and information, taken from the Japanese press and "enlivening" the material, most of which is regrettably distinguished by the "dry" narration characteristic of academic works--all of this makes the 14th edition of the yearbook an extremely useful book for anyone with an interest in life in the neighboring country. Nevertheless, when the reader finishes the book he will feel a certain sense of dissatisfaction. There was room (and quite a bit) in the book for discussions of Japan's relations with the United States, the EEC countries, the developing countries, and South Korea. Only Japanese-Soviet relations were obviously not given enough attention, in our opinion, by the compilers of the yearbook. They are discussed in only the short concluding section of the foreign policy survey. Even this brief discussion, however, testifies that contacts between our countries were indisputably livelier in 1984. This is also attested to by the "Chronology" in the appendix. Even given the "attachment" to 1984, is it possible that the USSR and Japan have no "long-playing" problems in their relations that warrant discussion in serious scientific publications? These could include questions of trade, economic exchange, fishing, scientific and technical cooperation, participation in joint projects, cultural exchange, and much more.

It seems to us that the systematic and thorough analysis of all aspects of Soviet-Japanese relations should be a prominent part of the yearbook.

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BOOK DISCUSSING CHINESE VIEW OF MAN, UNIVERSE REVIEWED

Moscow FAR EASTERN AFFAIRS in English No 3, 1987 pp 174-176

[Review by T.G. Storchevaya of book "Problema cheloveka v traditsionnykh kitayskikh ucheniyakh. Sobrniki statey" [Man in Traditional Chinese Teachings. Collected Articles], Nauka, Glavnaya redaktsiya vostochnoy literatury, 1983, 262 pages]

Thematic collections seem to be the best medium for passing knowledge from the expert to the reader, given the high level of our awareness of the East and the diversity of requirements we make on its cultural heritage. In this sense, first, the collection *Man in Traditional Chinese Teachings* is up to the standards the public consciousness has set on the study of Eastern cultures. Second, its titular theme largely reflects the present-day classification of sciences, which groups them under objects of the universe as, for example, space science, science of the sea, science of man, etc., rather than keeps to the old functional division, such as physics, mathematics or biology. In this sense, the collection could safely be related to a discipline that ought to be called the history of science of man, in its application to the Chinese civilisation.

Man is not extraneous in Chinese texts. The oldest Chinese cultural classification treats of a triad composed of Heaven, Earth and Man. Heaven and Earth were not antonyms, as in the European culture, but formed two symbols which together signified the great eternal and indivisible life of nature. Man was set in opposition to these two elements, standing for something transient that would never be able to embody the immortal and imperishable spirit of the cosmos. Chinese poets coined bitter-sweet metaphors portraying the diverging ways of the natural and the human elements. They sighed and lamented tirelessly over every blade of grass, every leaf that would die in winter and be revived in spring, and only man went never to return. Communion with nature, which is immortal and which alone can bestow life, was seen as a way out of the gloom. The Christian world lived by the dual unity of human and divine elements; the Chinese world lived by interaction and intereducation of the natural and the human.

The oldest Chinese bibliography, *The Categories of Arts and Philology*, contained in

a history of the Han dynasty, provides the first classification of knowledge. Six types of knowledge correlate with six books—*Yijing*, *Shujing*, *Shijing*, *Zhouli*, *Chunqiu* and *Yuejing*. According to the bibliography, man created *Yijing* in imitation of the symbols which nature itself had scattered around and which pointed to its secret ways and most important laws. To follow nature in everything and to give full expression to its meaning, Emperor Fu Xi took footprints of birds and animals for a pattern and created the first hieroglyphs which made up a book about natural metamorphoses. *Yijing* is the supreme classic; it records the ways of nature itself and the plan of fate, with the remaining five books subordinated to it in the same fashion as the five primary elements are subordinated to the law of their sequence.

Of the five arts inherent in man, as distinct from nature, the art of memory (which is simultaneously the art of history) is the most important. According to the bibliography, *Shujing* was written for man to learn more than he can learn in his lifetime. The third book, *Shijing*, was created to help man learn to put into words his thoughts and feelings. This is an art of direct, yet aesthetic, expression of one's own human nature, an art *par excellence*, as we understand it today. The next book, *Zhouli*, is a collection of ancient ritual texts, instructing man to keep order in society through ritual, rather than violence. The fifth book, *Chunqiu*, a chronicle of a small principality, was edited by Confucius. Taking it as a starting point, he showed how just evaluations should be given to statesmen—the ruler and his subjects. *Chunqiu* is an example of correct and incorrect behaviour of people whose activities influence the well-being of the country and the people. The last in the series is *Yuejing*, a book about music which is a manifestation of people's love and good feelings to each other.

Let us look at the articles comprising the collection through the prism of the Chinese classification of knowledge. A. M. Karapetyants's "Man and Nature in Confucius' Four Books" and S. V. Zinin's "The Structure of Hexagrams in *Yijing*" discuss the highest level of art of the *Yijing* type that a man can attain. The dicta on nature which Karapetyants picked from classical texts show that Chinese thinkers, on the one hand, conceived of the human society as fully obeying natural laws but, on the other,

divined the need to protect nature from man, thereby predating the present-day environmental problems by almost two and a half centuries.

The articles, "Ge Hong's Teaching of Dao: Man and Nature" by Y. A. Torchinov, and "The Problem of Human Nature in Confucianism: From Confucius to Wang Yang-ming" by A. I. Kobzey, are devoted to human nature itself. Kobzey's article is a historical survey of all possible answers to the question of whether the human nature is good or evil. Torchinov's article is about all possible types of immortality that the ancient Chinese could visualise for themselves. They saw immortality in getting dissolved in nature, becoming identical with it, in submitting to its great movement and regretting nothing. They saw immortality in perpetuating their bodily life. The traditional Chinese culture did not know the teaching about the resurrection or immortality of the spirit, which came only with Buddhism.

A. S. Martynov's articles "The Confucian Individual and Nature" and "Buddhist Themes in Su Dongpo's Writings (1037-1101)", V. V. Malyavin's "Man in the Culture of Early Imperial China", L. E. Pomerantseva's "Man and Nature in *Huinanji* and the Artistic Style in the Period Between B.C. 2 and A.D. 2", and other works discuss public behaviour patterns typical of the classical Chinese culture. Martynov answers the question of why nature was the eternal and sole source of inspiration for the Chinese, and not divine inspiration or love, as in Europe, a question that is quite important for the understanding of the origins of creativity in China. He says that in the eyes of the Chinese, man possessed no creative powers other than natural. Single and undivided nature was both the object of human inspiration and its only source. His article "Buddhist Themes in Su Dongpo's Writings (1037-1101)" is devoted to a question which is of no less importance for the history of Chinese culture, namely, why the Confucian individual, trained as he was for a political career, on the one hand, remained a thinking personality, rather than became an appendage to the state mechanism or degenerated into a bureaucrat? On the other hand, if he preserved independence from the state machine as an ethical principle, why the Confucian mentality did not become tragic and allowed its exponents easily to combine service to the state with the practice of poetry? Apart from being the "limbs" of

the state, the Confucian individual always kept and protected his right to be a bearer of the ancient literary tradition which was different from the requirements of a concrete state administration. In analysing elegant poetic addresses that Confucians sent to each other, Martynov shows that they conceived of themselves as intermediaries between people, on the one hand, and forces of Earth and Heaven on the other—a concept that found its consummate expression in the Emperor. They did not consider themselves appendages to the state affairs. This independent relationship with the universe which ignored the existence of the Emperor, generated concepts that were wider in scope than those of government, namely, the concept of true justice, the concept that man should follow his true vocation, etc.

Two authors—Y. V. Zavadskaya and V. L. Sychev—sought to determine why the “flowers and birds” painting became the artistic formula conveying the entire depth of the Chinese vision of nature. In our view, none of the answers provided in the collection can be seen as satisfactory. Sychev names more concrete origins of the genre than Zavadskaya who derives them from the philosophical views of the neo-Confucians. But placing the sources of “birds and flowers” in ornamental painting, something that Sychev insists on, does not seem convincing. What made the Chinese single out and combine precisely these two natural elements to the exclusion of all others? As I see it, there are two circumstances which explain this more or less satisfactorily. First, unlike trees, animals and people, birds and

flowers must be watched at close quarters, whereas the rest of the world in Chinese painting is set against a cosmic panorama. Second, flowers and birds have easily changeable outlines, as well as a soft and tender surface, which makes them a consummate embodiment of natural changes and transformations. They are symbols of a changeable, moving and fast-fitting life. And, what is of exceptional importance for the Chinese esthetics, flowers and birds best of all convey the susceptibility of all living things to seasonal change. Nothing alters their colour and shape as quickly and visibly as garden and wild flowers, as domestic fowl and wild birds, following seasonal transformations in nature. For an antonym to the flowers and birds genre we should perhaps turn to the European *still life*, particularly allegoric *still life* which is a complete antithesis to all that the “flowers and birds” painting stands for—completeness, full harmony, firmness and stability of all forms imbued with the idea of eternal life.

The articles in the collection correspond to different levels of the concept of man as developed by Chinese thinkers. But apart from that, the book expounds the view of the present-day European thinker, the bearer of world culture who combines knowledge of Chinese and European civilisations. Specifically, this finds ample expression in T. P. Grigoryeva's introductory article “Man and the World in Chinese Traditional Teachings” which places all the articles in the collection within a single system—the system of world culture.

**T. STORCHEVAYA**

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